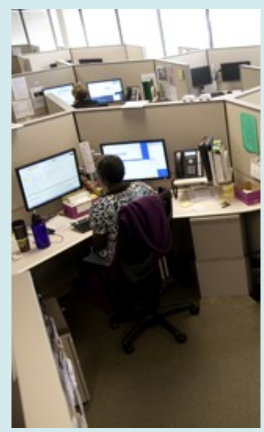
The Small Business Investment Company (SBIC) Program

Helping Meet the Capital Needs of American Small Business since 1958



Annual Report FY 2012

U.S. Small Business Administration—Investment Division • www.sba.gov/inv

Karen G. Mills
Administrator

U.S. Small Business Administration

Message from the Administrator

The following report provides the most comprehensive analysis in the history of the Small Business Administration's (SBA) Small Business Investment Company (SBIC) Program and is part of ongoing efforts to deliver transparency, accountability and robust data collection in all of SBA's programs.

The report also highlights the success and progress the SBA has made over the last four years to streamline, simplify and strengthen its core programs. Today, the SBIC program serves as a model of a successful public-private partnership.

The program oversees more than 300 SBA-licensed funds, with over $18 billion in capital, combining $8.8 billion of SBA leverage commitments and $9.4 billion of commitments from private investors.

In Fiscal Year 2012, the SBIC program had its third consecutive record-breaking year. Investment funds licensed as SBICs provided more than $3 billion in growth capital to over 1,000 small businesses, a 17 percent increase from FY 2011 and an 83 percent increase from FY 2010. In FY 2012, the SBA also licensed 30 new funds, including a record 27 Debenture SBICs. And it's important to note that based on recent historical performance, the program continues to operate at zero subsidy and no cost to the American taxpayer.

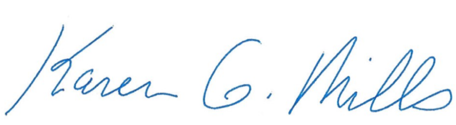
A key factor driving the success of the program has been ongoing efforts to streamline its operations. In 2009, it took 14.6 months to get an SBIC fund licensed. Today, it takes only 5.4 months, a 60 percent improvement in licensing times.

In addition, enhancements to the program have attracted a more diverse array of top-tier investment managers to our funds. And we've expanded the program with new funds targeting promising companies in economically distressed regions and gaps in early stage investment.

These new initiatives are attracting more institutional investors, pension funds, and multinational corporations. This allows us to expand investment and financing to more innovative small businesses outside of traditional start-up and investment hubs.

Going forward, we will continue to build on the success of this public-private partnership to reach more entrepreneurs in more regions and more industries across the country.

Sincerely,



Karen G. Mills
Administrator
U.S. Small Business Administration

Sean Greene
Associate Administrator for Investment and Innovation

U.S. Small Business Administration

Message from the Associate Administrator

The Investment Division of the U.S. Small Business Administration is proud to present the results of the Small Business Investment Company Program for Fiscal Year 2012. We have achieved record success this year, providing the capital small businesses need to fuel their growth and create jobs.

With the economy still in recovery, SBA's mission of supporting small businesses and the Americans they employ has never been more critical. Small businesses are responsible for creating over 60% of the country's net new private sector jobs each year. Yet despite their importance to the health of the overall economy, many small businesses struggle to access the capital they need to expand operations, build new facilities and hire new staff.

In FY 2012, the SBIC Program channeled more than $3 billion to over 1,000 small businesses. We achieved these results at zero cost to the taxpayers, thanks to the public-private partnership at the program's core. Even in an era of tightening budgets, SBA is able to efficiently harness the talent of professional investment managers to expand the pool of capital available at the smaller-end of the market.

FY 2012 was the third consecutive record year for the program and this Annual Report reflects our commitment to the continued growth of the SBIC Program. We are investing heavily in improved data management systems, both to enhance our own underwriting processes, but also to provide current and future program participants additional data for more informed investment decisions.

In particular, this report explores in depth returns to private investors relative to broader private equity benchmarks, including analysis of SBIC funds by vintage year, fund size and fund strategy.

In line with SBA's agency-wide commitment to transparency in government, the pages that follow were also prepared with U.S. taxpayers in mind. We hope all of our stakeholders find this SBIC Program Annual Report useful in evaluating the program's past, but also in helping to shape its future.

Sincerely,

Sean Greene
Associate Administrator for Investment and Innovation
U.S. Small Business Administration

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Cover Photos:

The cover features photos from three SBIC-financed small businesses that are included in the "SBA 100," an online collection of small business profiles featuring firms that created 100 jobs or more after receiving SBA assistance. The companies and the SBICs backing them are, from left to right: Marinello Beauty Schools, financed by Gemini Investors and Quad Partners; Innov-X Systems, financed by Rand Capital Corporation, and; Accolade, Inc., financed by Accretive, LLC. For more information about the SBA 100, visit: www.sba.gov/sba-100

Executive Summary

The Small Business Investment Company Program, administered by the Small Business Administration (SBA), is a multi-billion dollar investment program created in 1958 to bridge the gap between entrepreneurs' need for capital and traditional sources of financing. The program, which operates as a public-private partnership, does not invest directly in small businesses, but provides SBA-guaranteed leverage to privately owned and managed investment funds that in turn make loans and investments into qualifying small businesses. These funds are licensed by the SBA as Small Business Investment Companies (SBICs) and are subject to the legal authority of the SBA to ensure they operate in compliance with SBIC Program rules and regulations.

Over the last four years, SBA has focused on streamlining, simplifying and strengthening the SBIC Program to better meet the needs of both investors and entrepreneurs. As part of these efforts, SBA is winding down the parts of the program that were less effective, while growing and expanding the areas of the program that better serve the marketplace.

Today, the SBIC Program serves as a model of an effective public-private partnership. The program helps to ensure that high growth businesses—which create the majority of new jobs in our economy—have access to the type of patient investment capital they need to grow and scale their operations. Investment decisions are made by experienced private sector fund managers. The program operates at zero subsidy and has historically operated at no cost to the American taxpayer.

In Fiscal Year 2012 (FY 2012), the SBIC debenture program and its stakeholders had their third consecutive record-breaking year. The program reached record levels in terms of the number of SBICs licensed, the amount of commitments of both private capital and SBA-guaranteed leverage and, most importantly, the amount of financing provided to America's small businesses. In total, investment funds licensed in the SBIC debenture program provided more than $3 billion in growth capital to over 1,000 businesses, a 17% increase from FY 2011 and an 83% increase from FY 2010.

FY 2012 Program Highlights

- Debenture and Other SBICs provided **$3.1 billion in financing to over 1,000 small businesses, a 17% increase from FY 2011 and an 83% increase from FY2010**
    - *29% of those small businesses were located in low-to-moderate income areas or were businesses owned by women, minorities or veterans*
    - *SBA estimates these financings* ***created or sustained over 65,000 jobs***
- SBA approved **$1.9 billion in SBA-guaranteed leverage commitments to SBICs, a 65% increase over commitments issued in FY 2010 and an 87% increase over commitments issued in FY 2008**
- Private and SBA **capital under active management reached over $18 billion**, distributed across 301 operating SBICs
- SBA licensed **30 new SBICs** that have raised approximately $1 billion in private capital
- SBA launched its Early Stage Fund Program; six funds received "green light" letters
- Since the launch of the Impact Investment Initiative in 2011, SBA has licensed six funds with an impact focus
- The Trust Certificate **rate for debentures reached 2.245%**, the lowest cost of capital in over a decade
- The SBIC debenture program has historically operated at **zero cost to taxpayers**
- SBICs generally continue to generate attractive returns to private investors as a result of accessing SBA-guaranteed leverage

Ongoing improvements to the SBIC Program have also led to increased interest by experienced blue chip investment managers and have allowed the SBIC Program to expand its reach, by implementing new initiatives that are attracting new funds focused on promising businesses in economically distressed regions and filling gaps in early stage investment. These new initiatives also are attracting more institutional investors, pension funds, and global corporations, and are helping to ensure that private capital reaches companies outside of traditional start-up and investment hubs.

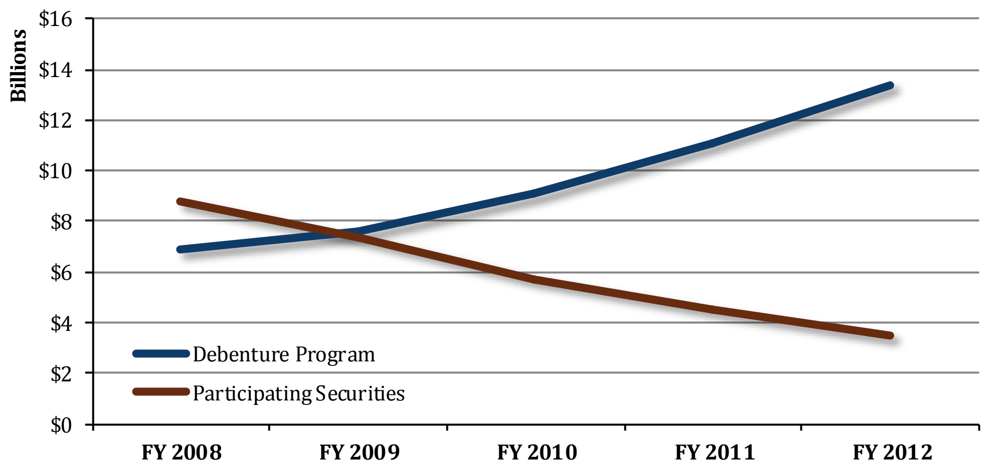
To accommodate the surge of interest in the SBIC Program, the SBA's Investment Division continues to streamline its processes, all while maintaining high credit standards and transparency. Division staff now process SBIC License Applications in just over 5 months on average, down from an average of nearly 15 months in FY 2009. This streamlining helped the SBIC Program get out a record of more than $1.9 billion in SBA-guaranteed leverage commitments to its funds in FY 2012. Current SBICs have seen a similar improvement in performance from the Office of Operations, which has reduced turnaround times on key decisions by over 50%.

The SBIC Program licensed 30 new funds in FY 2012 (including a record 27 Debenture SBICs), welcoming another cohort of experienced fund managers pursuing a diverse array of investment strategies. The mix includes traditional mezzanine investors, senior lenders, leasing firms, and buyout funds. The funds are split evenly between returning SBIC fund managers and teams launching their first SBIC.

Throughout this report, there are examples of high growth businesses that received investment backing from SBICs. These case studies highlight the impact that SBICs have in providing capital to a broad range of businesses throughout the country. One is JSI Store Fixtures Inc. (JSI), based in Milo, Maine. JSI received funding from Champlain Capital Partners, an SBIC. The investment was critical to the company's success. In recent years, JSI has been able to move into a larger facility, invest in new equipment, and hire more workers, many of whom had been displaced when one of the region's major employers closed. Today, JSI is one of the area's largest employers and is providing economic opportunity to the surrounding community.

The growth of the SBIC Program over the past several fiscal years masks the divergent paths of two of its constituent parts. The core "Debenture" program, which now finances the bulk of SBICs, has been on a growth trajectory since FY 2008. By contrast, the "Participating Securities" (PS) program has been gradually winding down. Whereas the two programs were roughly equal in size as recently as FY 2009, SBICs licensed through the Debenture program now manage approximately four times the capital of PS funds. The "Debenture and Other SBICs" section goes into further detail on the Debenture program, while the "Participating Securities" section discusses the current status of the PS program.

Exhibit 1 - SBIC Operating Portfolio
Capital Under Managment (Private & SBA)



NOTE: "Capital Under Management" presents the total private and SBA capital under the management of Debenture and Participating Securities SBICs only. Excluded from this graph are Specialized SBICs and Non-Leveraged SBICs .

At fiscal year-end, the portfolio of operating SBICs were managing over $18 billion in capital, combining $8.8 billion of SBA-guaranteed leverage commitments and $9.4 billion of commitments from private investors. The impact of the SBIC program extends beyond those funds that receive SBA-guaranteed leverage. Among the 301 licensees at FYE 2012 were 44 investment funds that do not receive SBA-guaranteed leverage. These "non-leveraged" funds nonetheless play an important role in both attracting private capital and investing in small businesses in need of financing. These non-leveraged funds have typically been attractive to bank investors, for whom investments in SBICs presumptively qualify towards Community Reinvestment Act Credit. Bank interest in SBICs is likely to grow, with the implementation of the Volcker rule part of the Dodd-Frank legislation, which limits banks from investing in private equity vehicles, with a few targeted exceptions, which includes SBICs.

The "Financial Risk & Performance" section provides further detail on the current portfolio, and financial risk to SBA, including examples of efforts to improve risk management through better analytics and more data-driven decision making. The section also provides a more detailed analysis on the returns to private investors in the program.

The analysis shows that the economics are compelling for private investors. Overall, SBIC financial returns to private investors compare favorably with the private equity industry as a whole. Data maintained by SBA's Investment Division shows that on a pooled basis, returns to private investors can be 300-600 basis points higher through the use of low-cost SBA-guaranteed leverage. Among SBIC funds licensed from 1998 through 2006 and that raised at least $25 million of private capital, 26% generated net IRRs in excess of 18%.

The SBIC program has a long and successful track record of supporting investment in high-growth companies like Pandora, AOL, Costco and Intel when they were small businesses. Ongoing improvements to the program will ensure that the next generation of innovative American companies can attract the type of patient capital they need to be successful.

Ex. 2 - SBIC Operating Portfolio Snapshot

September 30, 2012 ($ millions)

Number of Funds	Source of Capital	Capital Outstanding	Unfunded Commitments [ii]	Total
158 Debenture Funds	Private	$3,795	$2,319	$6,114
	SBA	$4,871	$2,360	$7,231
	Total	**$8,666**	**$4,679**	**$13,345**
57 Other Funds [i]	Private	$934	$447	$1,381
	SBA	$16	$3	$19
	Total	**$950**	**$450**	**$1,400**
86 Participating Security Funds	Private	$1,458	$424	$1,881
	SBA	$1,548	$25	$1,573
	Total	**$3,006**	**$449**	**$3,455**
301 Total Funds	Private	**$6,187**	**$3,190**	**$9,377**
	SBA	**$6,435**	**$2,388**	**$8,823**
	Total	**$12,622**	**$5,577**	**$18,199**

NOTE: (i) "Other Funds" includes 44 so-called "non-leveraged" SBICs that do not receive capital from the SBA, but nonetheless play an important role in attracting private capital to small businesses in need of financing. The remaining 13 SBICs included in "Other Funds" are Specialized SBICs (ii) Typically, SBICs may obtain leverage equal to 2x their private capital. They access this capital in incremental commitments. SBA totals in the chart reflect actual requested commitments, rather than the full 2x leverage that the fund ultimately may be able to draw.

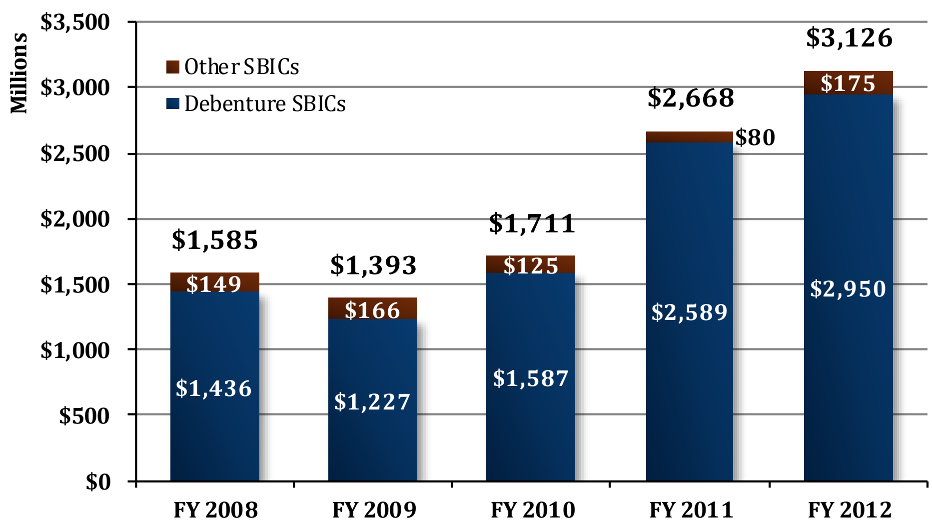
2012 SBIC of the Year
Petra Capital Partners
Nashville, TN

Petra Capital Partners has 2 SBIC funds that have invested $160 million to fuel the growth of 30 U.S. small businesses since 1999. Petra concentrates on the service sector, targeting business, healthcare and information technology services companies across the U.S. Petra has worked with management teams to professionalize the management and governance of the organizations. The resulting growth of Petra's portfolio companies has supported the mission of the SBA by creating more than 7,500 jobs following Petra's investment. "The SBIC program is an example of a public-private partnership that works," said Mike Blackburn, partner at Petra, "and we look forward to continuing our 14-year partnership with the SBA in support of U.S. based, high-growth small businesses."

Debenture and Other SBICs [1]

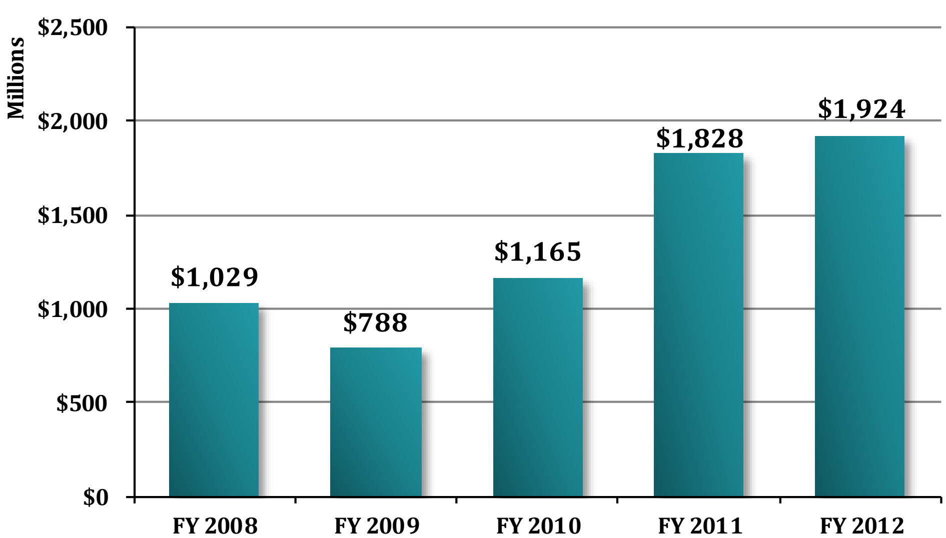
In FY 2012, Debenture and Other SBICs provided over $3.1 billion of financing to small businesses, a record for the SBIC Program.

Ex. 3 - Financings to Small Businesses



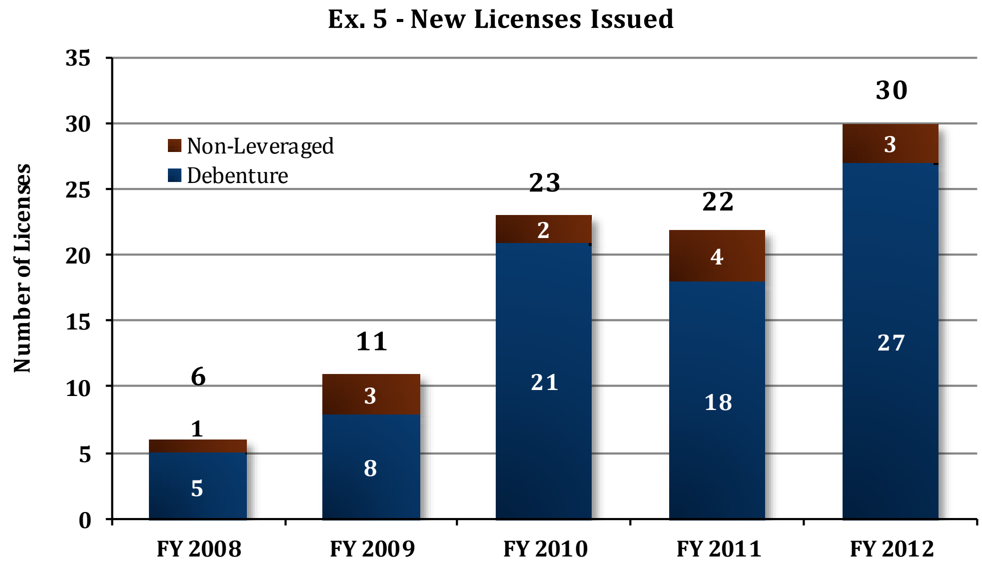
SBA-guaranteed leverage commitments issued to SBICs has reached a 3-year high, topping out at nearly $2 billion for FY 2012.

Ex. 4 - Commitments Issued

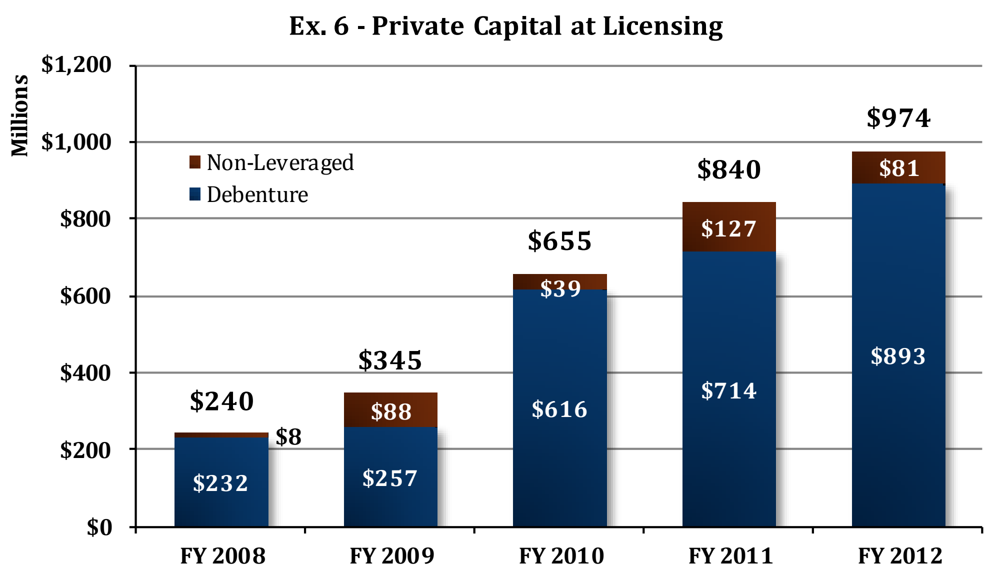


[1] *The data reported in the "Debenture and Other SBICs" section of the report covers the SBIC programs that are active and apply only to SBICs that were issued a standard debenture license, a non-leveraged license or a specialized license. Excluded from the data are any SBICs that were licensed under the Participating Securities program. Data concerning the Participating Securities program are presented in a later section.*

In addition, the SBIC Program licensed 30 new funds in FY 2012, a five-fold increase over 2008 levels.



At the time of licensing, the 30 funds licensed in FY 2012 had together raised nearly $1 billion of private capital, another record for the program. This capital came from institutional investors, fund-of-funds, high net-worth individuals and other private investors.



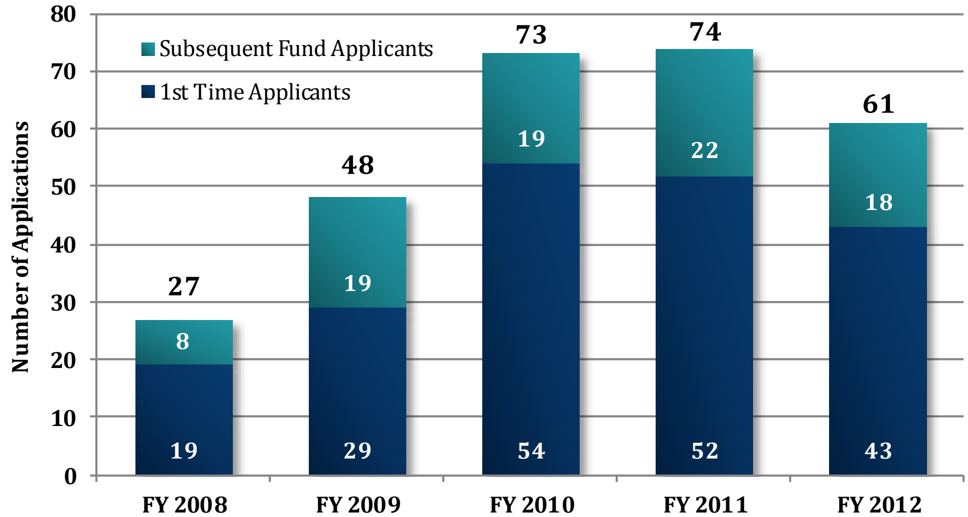
The tremendous growth in the program is the result of greater interest in the program among funds and SBA's efforts to streamline its investment process.

2012 SBIC of the Year
Cephas Capital Partners
Pittsford, NY

Cephas Capital Partners has two SBIC funds. Since 1997 Cephas has invested over $70 million in 47 businesses, all but 1 located in the underserved region of upstate New York. Together these businesses employ more than 5,000 people and have contributed more than $700 million to the region's economic output. Cephas strives to support companies that are poised for growth but struggle to obtain financing. "[Co-founder] Jeff Holmes and I feel that Cephas has played an important role helping well-managed locally owned businesses thrive here in upstate New York," stated Cephas co-founder Clint Campbell, "with the support that we have gotten from the SBIC program providing us the opportunity to bring a source of capital not otherwise available to these companies."

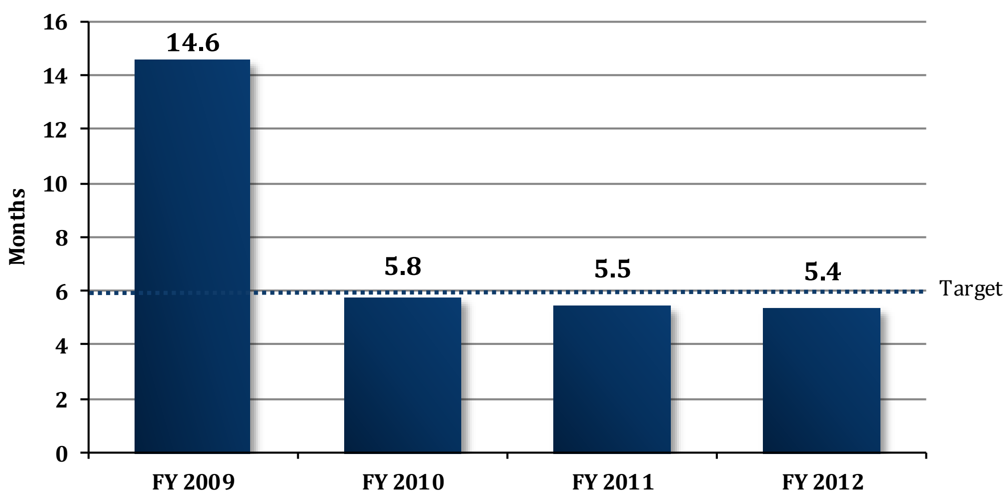
Over the last 3 years, the number of fund proposals received in Phase I has hit historical highs. In FY 2008, SBA received 27 fund proposals. Over the last three fiscal years, that number has jumped to an average of nearly 70.

Ex. 7 - Initial Fund Application Volume

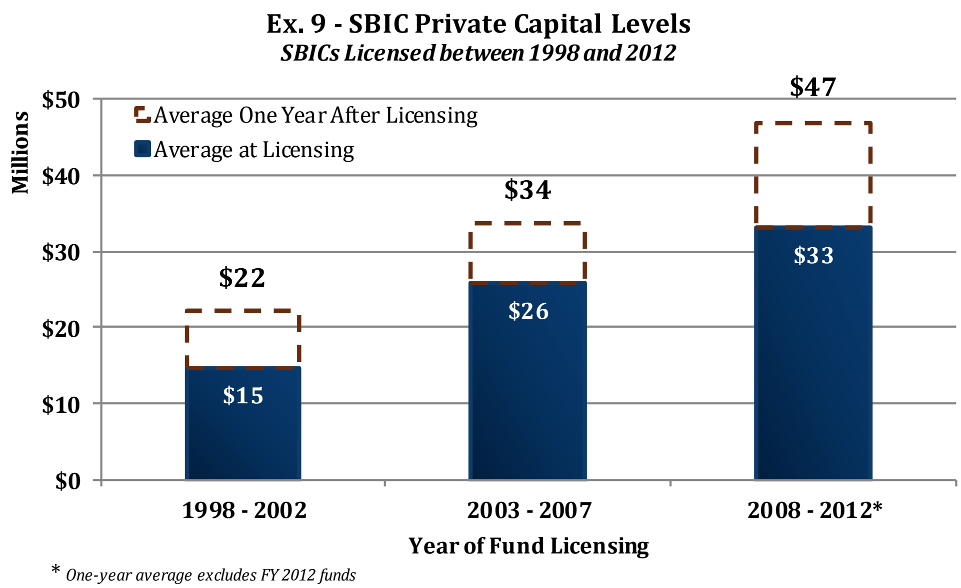


Despite the surge in applications, a concerted effort to streamline Phase III of the investment process has kept processing times down. In FY 2009 it took an average of 14.6 months to process an applicant through Phase III. By FY 2012 SBA reduced the timeline to just 5.4 months, well below the target processing time of 6 months.

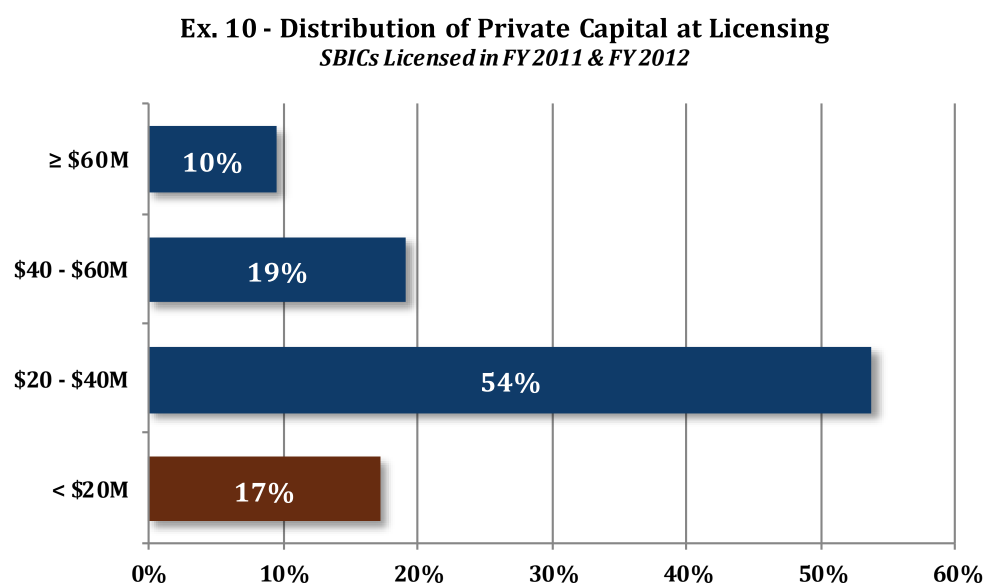
Ex. 8 - Phase III: License Application Processing Time



Over the past ten years, the average amount of private capital committed at the time of licensing has doubled. Within a year of licensing, these SBICs increased their private capital base by roughly 40% to 50%. Factoring in 2 tiers of SBA-guaranteed leverage, the average size of a newly licensed fund has increased to $140-150 million of capital.



Over the past two fiscal years, 83% of the funds licensed as SBICs had raised at least $20 million of capital at the time of licensing. Given historical fundraising patterns, SBA expects these SBICs to achieve a final close with substantially more private capital.



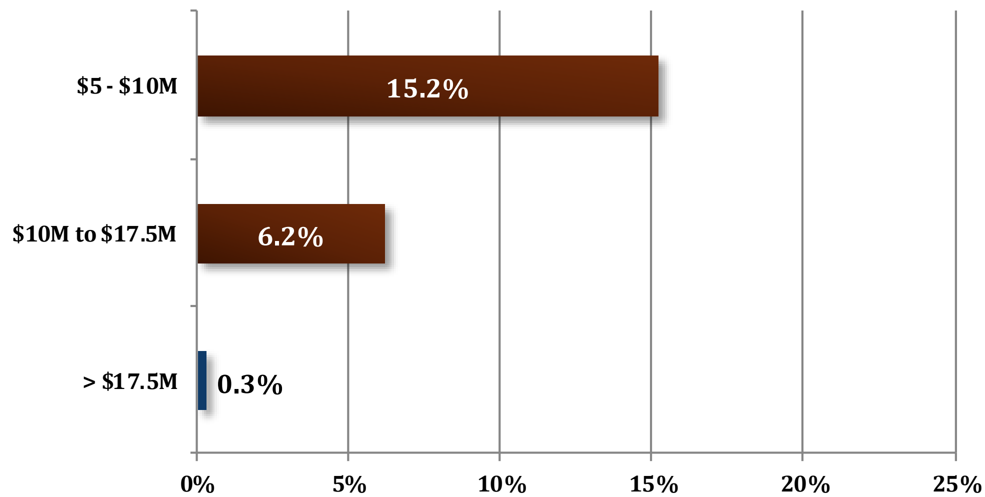
This trend has important implications for SBA's SBIC portfolio as a whole. An analysis of SBIC leverage loss rates among Debenture SBICs active between 1997 and 2009 shows that funds with private capital greater than $17.5 million have experienced significantly lower loss rates than their peers.[2]

[2] *Please refer to Appendix III for information on the data and methodology used to analyze SBIC loss rates.*

2011 SBIC of the Year
Main Street Capital Corp.
Houston, TX

Main Street Capital Corporation is a New York Stock Exchange-listed business development company. Main Street's 2 SBICs have provided over $565 million of capital to 99 small businesses since 2002. The firm offers business owners "one stop" debt and equity financing options and supports various transaction types, including growth financing, multi-generational ownership transactions, management buyouts and recapitalizations. "We are honored by the SBA for the 2011 SBIC of the Year award," noted CEO Vince Foster, as "Main Street has been an active participant in the SBIC Program for many years and has been a strong advocate of the program's objectives for helping small businesses within the U.S. develop and prosper."

Ex. 11 - SBIC Leverage Loss Rate by Size
As of 12/31/2010 (n=64)

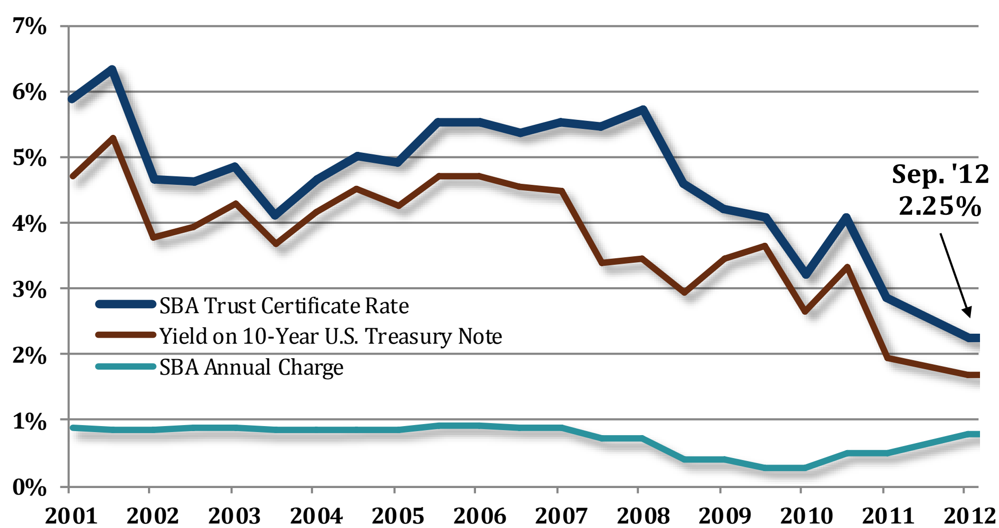


NOTE: Appendix III provides a detailed discussion of the data and methodology underlying this chart.

Funds with higher levels of private capital have historically delivered higher returns to private investors as well. The "Financial Risk and Performance" section of the report will discuss this finding in more detail.

The increasingly attractive economics of the SBIC Program may help explain the success new SBIC licensees are having raising private capital. The rate on SBA-guaranteed Trust Certificates, which determines the interest rate SBICs pay on SBA-guaranteed leverage, has followed the yield on the U.S. 10-year Treasury Note to historic lows. Poolings of SBA-guaranteed Trust Certificates are done semi-annually. The most recent pooling closed in September 2012 at just 2.25%.

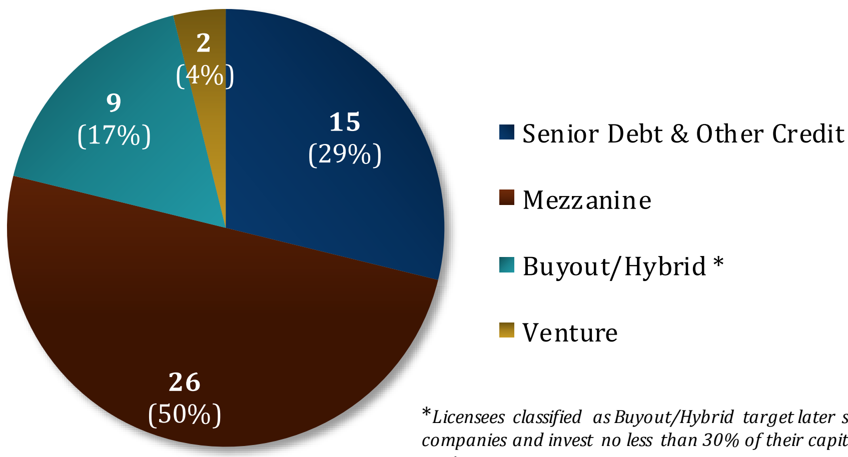
Ex. 12 - Debenture Coupon and Annual Charge Rates



NOTE: The "Yield on 10-Year U.S. Treasury Note" data series was obtained via the U.S. Department of the Treasury's online "Data and Charts Center," accessible via: http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield

The SBIC Program has attracted a diverse array of investment strategies over the past two fiscal years. Though the bulk of SBICs pursue credit-oriented strategies, many invest in more equity-oriented strategies such as buyout/hybrid and venture.

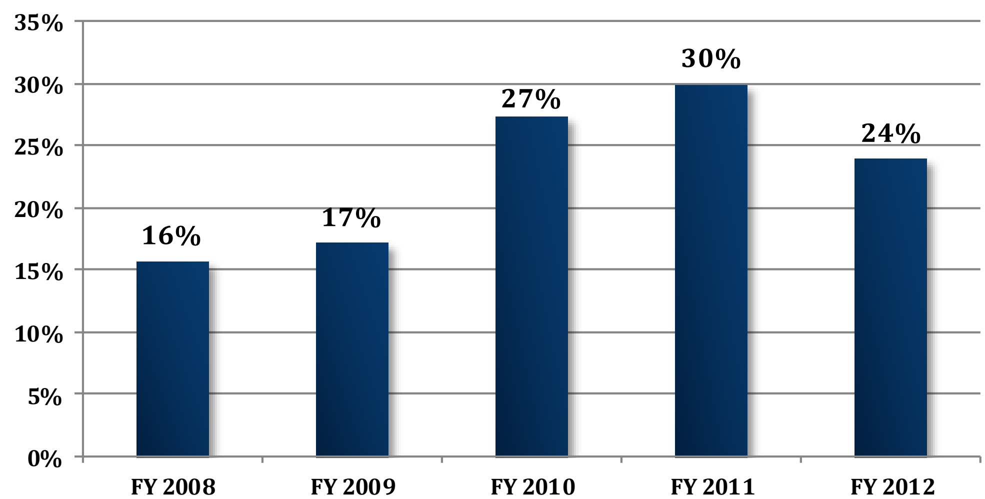
Ex. 13 - Breakdown of SBIC Fund Strategies
SBICs Licensed in FY 2011 & FY 2012



**Licensees classified as Buyout/Hybrid target later stage companies and invest no less than 30% of their capital in equity*

The Investment Division has made a concerted outreach effort to attract more diverse fund managers to the program. This has resulted in a rise in the percentage of first-time applicants that are woman- or minority-managed funds.[3]

Ex. 14 - Women or Minority-Managed SBIC Applicants
% of First-Time Phase I Applications Received



[3] *The identification of woman- or minority-owned funds is done on an observational basis, rather than through self-reporting.*

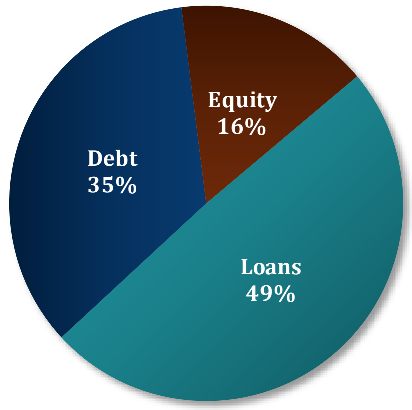
2011 SBIC of the Year

Diamond State Ventures
Little Rock, AK

Diamond State Ventures (DSV) has two SBICs that invest in small businesses located in Arkansas and throughout the Midwest and Southeast. DSV is the only SBIC fund manager headquartered in the state of Arkansas and has served a key role in the development, funding, and growth of the venture capital and private equity industry within the state. To date, DSV has invested over $35 million in 18 Arkansas-based companies employing over 2,200 Arkansans. "Since we started DSV in 1999," notes co-founder Joe Hays, "we have been through two unprecedented economic cycles. We are always amazed at the resilience of small businesses. Supporting owners and managers of small businesses has been worth the hard work and uncertainty. They adapt and grow in so many ways."

The current portfolio of Debenture and Other SBICs has shown a strong preference for making straight "Loans" to small businesses or providing them with "Debt" financings that have equity features, such as warrants.

Ex. 15 - Portfolio Distribution
Debenture and Other SBICs; As of 9/30/2012



Debenture

Type	Investment Cost
Loans	$5,040
Debt	$3,542
Equity	$1,208
TOTAL	**$9,790**

Other

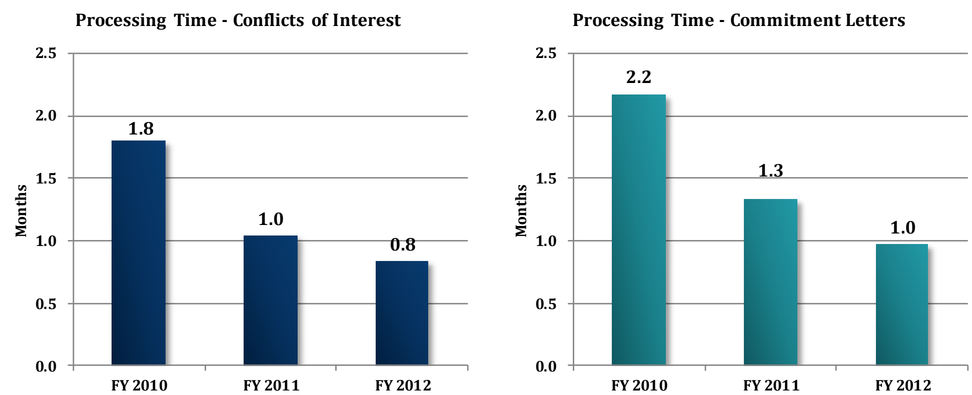
Type	Investment Cost
Loans	$124
Debt	$111
Equity	$459
TOTAL	**$694**

Total

Type	Investment Cost
Loans	$5,163
Debt	$3,654
Equity	$1,667
TOTAL	**$10,484**

SBA plays an active role in monitoring the financial performance of SBICs while also striving to minimize the regulatory burden. The streamlining of key regulatory approval processes has improved turnaround times by over 50% in the last 2 years.

Ex. 16 -Operations Turnaround Times



SBA has increased the frequency of its regulatory exams, ensuring that each SBIC with outstanding SBA-guaranteed leverage receives one exam per year. Meanwhile, there has been a sharp drop in the number of regulatory violations called "findings," indicating that regulatory compliance has improved.

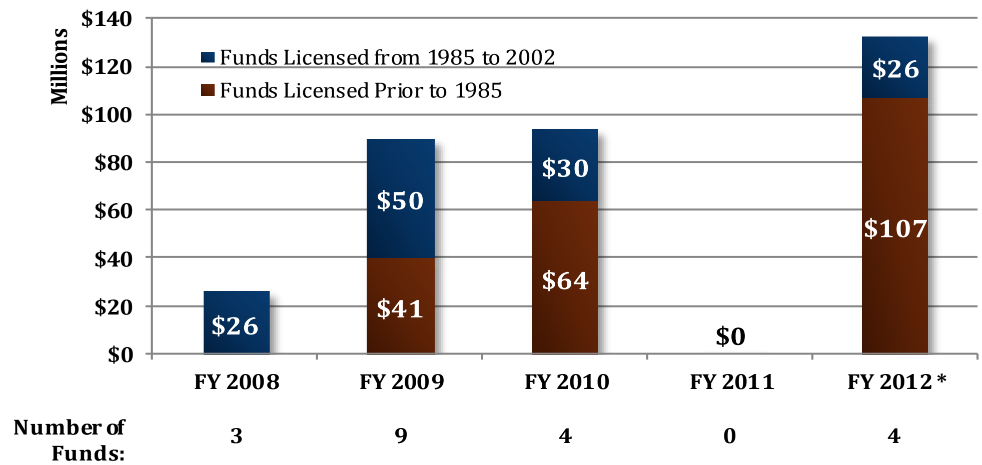
Ex. 17 - Examinations Metrics

Exam Cycle (Months)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SBICs with Leverage	14.5	13.9	12.9	11.7	11.7
SBICs w/o Leverage	23.2	21.2	18.2	15.6	15.6
Exams with Finding (%)	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**
SBICs with Leverage	22.3%	17.0%	8.7%	11.1%	6.6%
SBICs w/o Leverage	16.3%	20.0%	15.1%	21.3%	17.6%

If a fund fails to maintain adequate financial performance or otherwise violates the legal requirements governing SBICs, SBA has the right to transfer the SBIC to its Office of Liquidations ("Liquidations") and repurchase the fund's outstanding SBA-guaranteed leverage from bondholders.

The bulk of the transfers to Liquidations over the last five years were funds licensed prior to 1985.

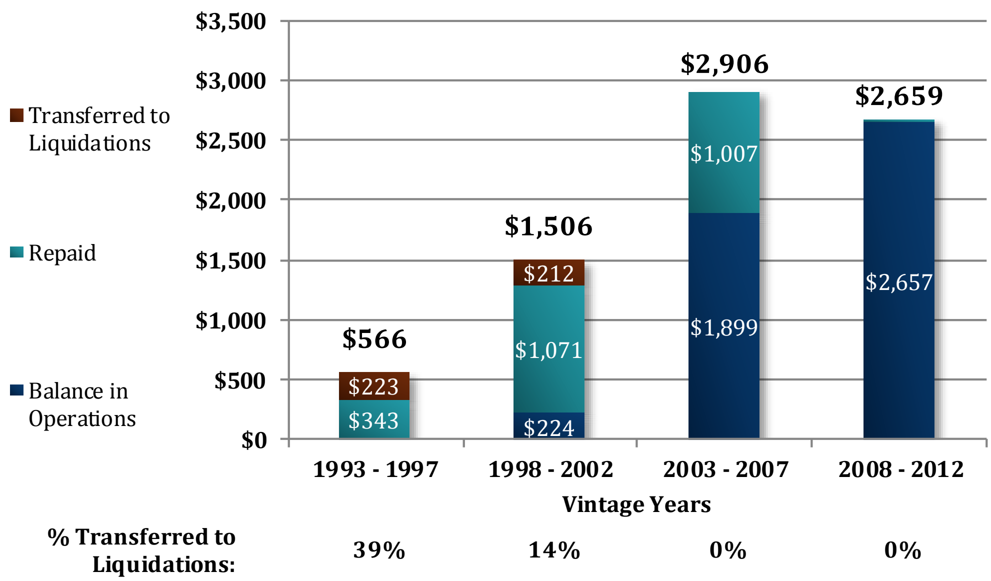
Ex. 18 - Transfers to Liquidations per Fiscal Year
Debenture & Other Funds (Non-PS Funds Only)



** FY 2012 liquidations data is preliminary, but unlikely to change*

In fact, no Debenture or Other SBIC licensed since 2002 has been transferred to Liquidations, a year in which SBA made significant improvements to its licensing process.

Ex. 19 - Status of Debenture Funds by Vintage Year
Total Capital as of September 30, 2012 ($ millions)

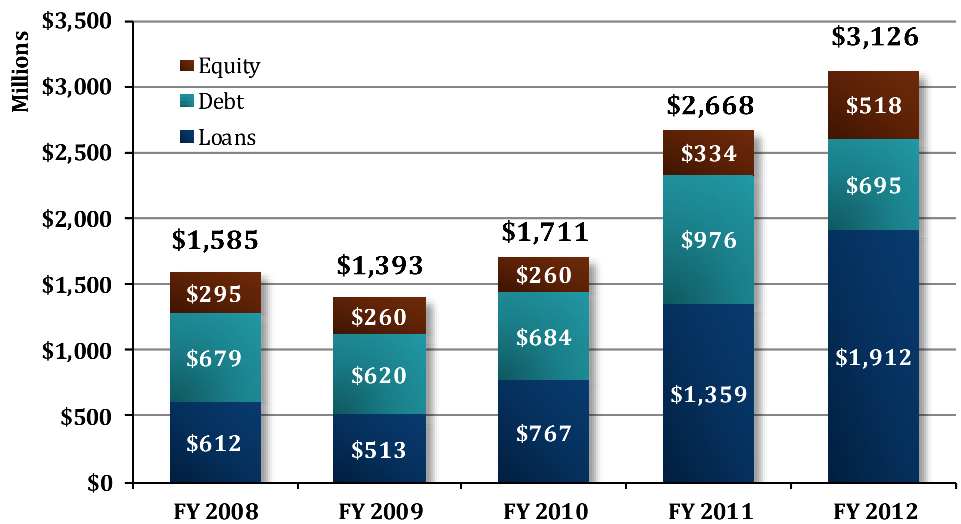


** FY 2012 liquidations data is preliminary, but unlikely to change*

Economic Impact

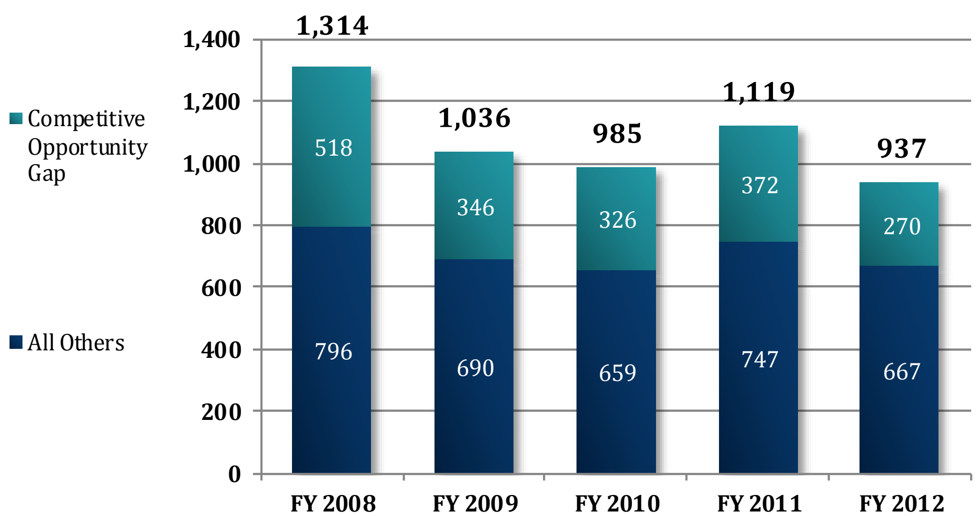
The growth in the number of Debenture and Other SBIC Licensees, the amount of private capital raised and the issuance of commitments for SBA-guaranteed leverage has translated into increased financing for small businesses. From FY 2009 through FY 2012, the amount of capital Debenture and Other SBICs have used to finance small businesses has more than doubled, reaching record financing levels.

Ex. 20 - Financings to Small Businesses



Over the same period, the number of small businesses being financed has declined slightly, suggesting that the amount of capital provided per firm is increasing.

Ex. 21 - Number of Small Business Financed



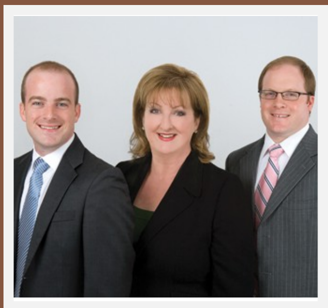
% Competitive Opportunity Gap:	**39%**	**33%**	**33%**	**33%**	**29%**

NOTE: "Competitive Opportunity Gap" businesses are those businesses that are (i) women-owned, (ii) minority-owned, (iii) veteran-owned, or which (iv) conduct business in low-to-moderate income areas.

A Profile in Success

JSI Store Fixtures, Inc.
Milo, ME

JSI Store Fixtures, Inc. manufactures specialized fixtures and displays for the supermarket industry. Founders Terry and Barry Awalt started JSI in the family basement in 1991. Brother Mark Awalt joined in 1997 and not long after the brothers relocated JSI to the vacant Dexter Shoe Plant where they had worked in high school. In 2006, Champlain Capital Partners, L.P., an SBIC, invested in JSI and assisted in developing a long term business strategy, funded investments in capital equipment, led the acquisition of a regional competitor and recruited management team members. JSI generated over $20 million sales for 2011. Since 2006, JSI has grown its customer base from 77 in 2006 to over 150, and has more than doubled its employees from 80 to 200 today.



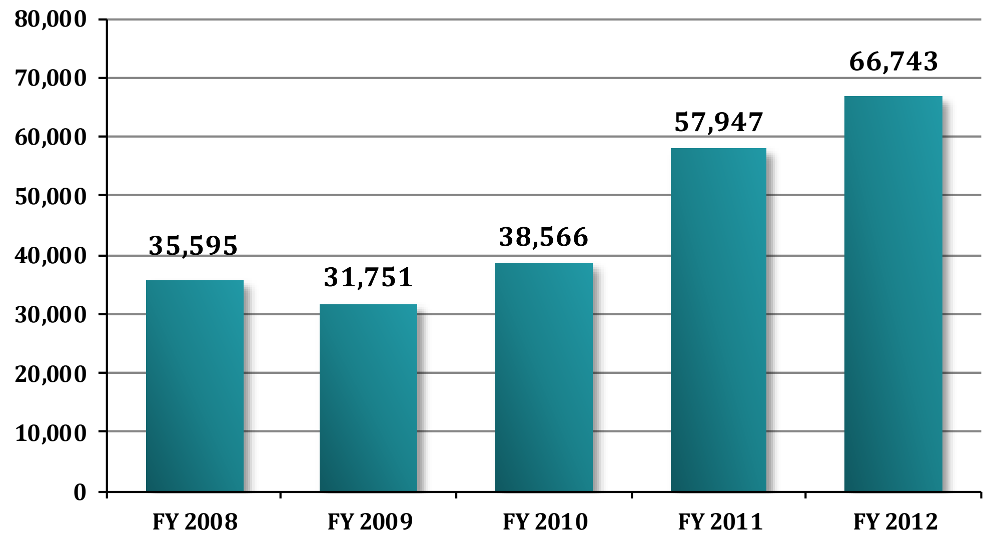
A Profile in Success

Hoffman Media, LLC
Birmingham, AL

Hoffman Media, LLC, founded in 1983, publishes women-targeted magazines such as Cooking with Paula Deen, Victoria, and Southern Lady. Between 2004 and 2012, BIA Digital Partners, LP, an SBIC, provided Hoffman Media with acquisition and growth capital, gave guidance on capital raising activities, and helped recruit board members. Under BIA's guidance, the company expanded its publishing business to include interactive media and a digital publishing division. Hoffman also added a consumer event business and an ancillary products division. President and CEO Phyllis Hoffman DePiano reports that during BIA's tenure revenue grew 500 percent and the size of the Hoffman Media workforce more than tripled to 150 full-time employees, 87% of whom are women.

These financings are estimated to have helped create or retain over 65,000 jobs.[4]

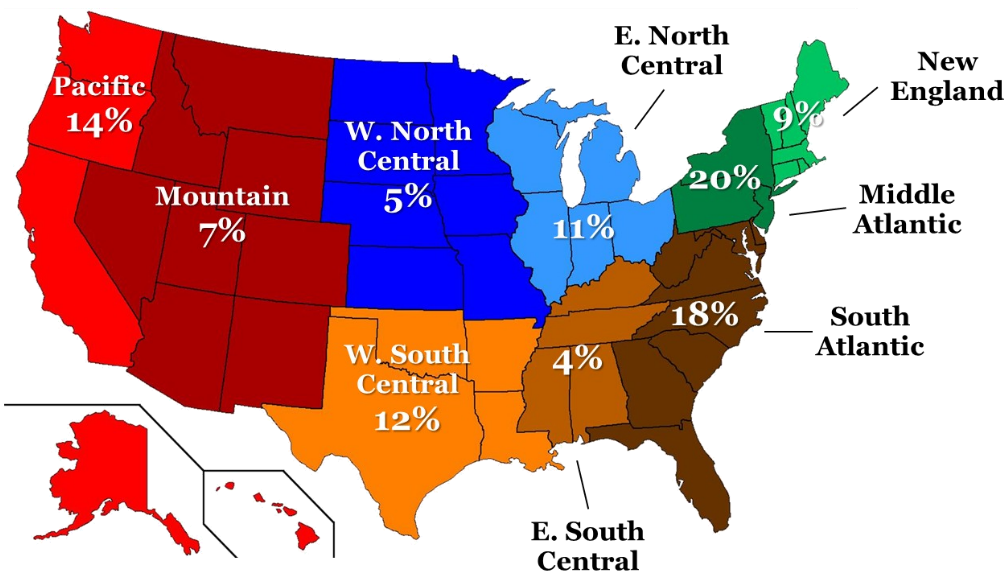
Ex. 22 - Estimated Jobs Created or Retained



Capital in the SBIC Program is invested all across the United States, unlike much of the rest of the venture capital and private equity industries, which have traditionally concentrated their financings in places such as Silicon Valley, New York or Massachusetts.

Ex. 23 - Geographic Distribution of SBIC Financings FY 2008 - FY2012

Percentage of Total Capital (Total Financings = $10.5 billion)



[4] *SBA estimates jobs created or sustained using the results of two studies on the impact of venture capital on employment. These studies estimate that one job is created or sustained for every $36,000 invested (adjusted for inflation). Studies: 1) DRI-WEFA, "Measuring the Importance of Venture Capital and Its Benefits to the United States Economy," June 19, 2002. 2) Cook & Nevins. The Zermatt Group. "The 1999 Arizona Venture Capital Impact Study," March, 1999.*

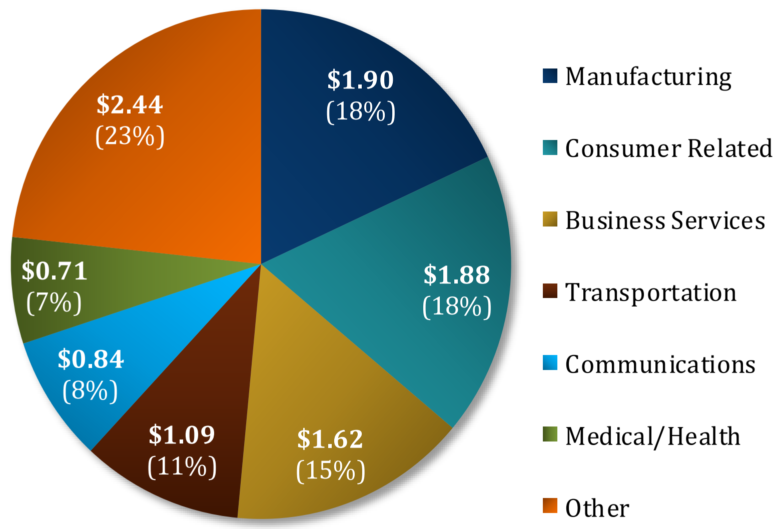
A Profile in Success

Weber Knapp
Jamestown, NY

Rex McCray and Donald Pangborn had worked for more than 30 years at Weber-Knapp, a 103-year-old specialty component hardware manufacturing company. When the company's owner sought to divest in 2010, McCray and Pangborn saw an opportunity to bring ownership back to the local community. McCray and Pangborn worked with Cephas Capital Partners II LP, an SBIC, and other investors to finance the transaction and support company growth. Weber-Knapp has recently patented a hinge for Whirlpool freezers and, since the Cephas investment closed in August 2011, has produced operating cash flow and profitability exceeding forecast. Weber-Knapp employs over 100 people in its upstate New York offices and manufacturing facilities.

Debenture and Other SBICs balance their financing across a variety of sectors, with the manufacturing and consumer sectors in the lead, each accounting for 18% of financings.

Ex. 24 - Financings by Sector
SBICs Financed from FY 2008 to FY 2012; $ billions



New Initiatives

As part of the SBA's ongoing efforts to expand its reach and enhance access to capital, the Investment Division has introduced several new initiatives over the past two fiscal years. The SBIC Program website (www.sba.gov/inv) outlines these recently introduced initiatives, some of which are profiled below:

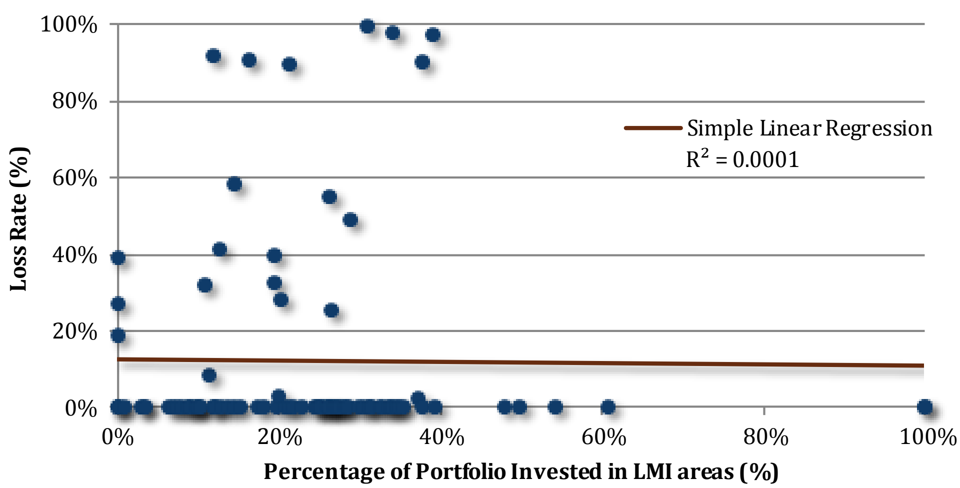
START UP AMERICA
EMPOWERING AMERICA'S ENTREPRENEURS

Impact Investment Initiative

In 2011, as part of President Obama's "Start-Up America Initiative," SBA announced that it would commit $1 billion in SBA-guaranteed leverage to investment funds licensed as "Impact Investment SBICs." These funds invest for financial return, but also seek to generate social return.

While conventional wisdom suggests that financial performance may be reduced with a double bottom line focus, SBA's historical experience with SBIC loss rates suggests this may not be true. Analysis of SBA's existing portfolio shows there is no correlation between portfolio concentrations in low-to-moderate income ("LMI") communities and SBIC fund loss rates.

Ex. 25 - SBIC Fund Loss Rates vs. LMI Portfolio Concentration
As of 12/31/2010 (n=58)



Two Impact SBICs have already been licensed, along with four other standard Debenture SBICs that have an impact focus. Together these funds have over $200 million of private capital and close to $400 million of SBA-guaranteed leverage to make impact investments.

Impact Fund Profile

Michigan Growth
Detroit, MI & New York, NY

During the recent economic downturn, the State of Michigan suffered an inordinate share of U.S. job losses. Michigan Growth Capital Partners saw the SBA's Impact Investment SBIC initiative as an effective way to bolster its efforts to attract leading regional and national private equity and venture capital investment funds to Michigan, and further develop Michigan's entrepreneurial ecosystem. In 2011 Michigan Growth Capital Partners SBIC, L.P. was awarded the first Impact Investment SBIC license. The Impact SBIC has invested approximately $14 million in 4 Michigan-based companies in the printing, manufacturing, food wholesale and physical therapy industries. These businesses employ more than 1,000 Michiganders.

Impact Fund Profile
SJF Ventures
Durham, NC

SJF Ventures III, the second fund to be licensed as an Impact Investment SBIC, makes equity investments in growth-stage companies that deliver a positive societal impact. SJF's first 2 funds invested $45 million in 34 companies active in sectors such as efficiency & infrastructure, reuse & recycling, sustainable agriculture & food safety, and technology-enhanced services. SJF portfolio companies employ more than 8,000 people, with more than 6,200 jobs created after SJF investment. The new Impact SBIC completed its first investment in July 2012, committing growth capital to BioSurplus, a company in the emerging asset recovery sector of the life sciences industry.

Program Highlights:

SBA defines "impact investments" as investments in small businesses that meet one of two criteria:

- Place-based: Small businesses located in rural areas or employing residents of LMI or economically distressed areas
- Sector-based: Small businesses in national priority industry sectors. Currently this includes the education and energy sectors

Impact SBIC applicants benefit from an expedited licensing process and may have access to up to the lower of 2 times their Regulatory Capital or $150 million in SBA-guaranteed leverage.

Early Stage Innovation Fund

Also as part of President Obama's "Start-Up America Initiative," SBA announced the launch of the Early Stage SBIC Initiative and a new commitment of up to $1 billion in SBA-guaranteed leverage for venture capital SBICs targeting promising start-ups. Using the Debenture program's existing authorization, the Early Stage Initiative will channel capital to funds investing in high-growth companies seeking financing in the range of $1 to $4 million and which are located in regions of the country underserved by the venture capital markets. Since 2008, less than 6% of all U.S. venture capital dollars went to seed funds investing at those levels and approximately 70% of those dollars went to just three states: California, Massachusetts and New York.

The first call for Early Stage SBIC proposals was announced in May 2012 and attracted 33 applications. After interviews with the applicants and a thorough review of the applications, six funds were issued "green light" letters.

Program Highlights:

- Up to $1 billion in SBA-guaranteed leverage commitments issued over 5 years
- Maximum 1-to-1 match with private capital, capped at $50 million
- Minimum private capital raise of $20 million
- Early Stage SBICs must deploy 50% of total capital in early stage companies
- Annual call licensing process

Web-based Financial Reporting

The Investment Division is moving forward with the implementation of a new online data management system. The new system, "SBIC-Web," will provide a single, web-based platform for the collection and management of SBIC financial reporting data.

SBIC-Web brings with it a level of functionality and reporting capability not previously available. Enhanced workflow will improve efficiency and lead to more timely communication with program stakeholders. Improved data reconciliation and integration will minimize the risk of duplication and enhance the accuracy of reporting.

The implementation process began in October 2012, with the transition to the online submission of Forms 1031 (Portfolio Financing Report) and 468 (Quarterly Financial Statement). Further enhancements will follow in the coming months and years.

Financial Risk & Performance

As a public-private partnership, the SBIC Program's success depends on its ability to manage the risks to taxpayer dollars while also ensuring the program remains attractive to private investors. The following two sections describe the program's success in balancing these dual objectives.

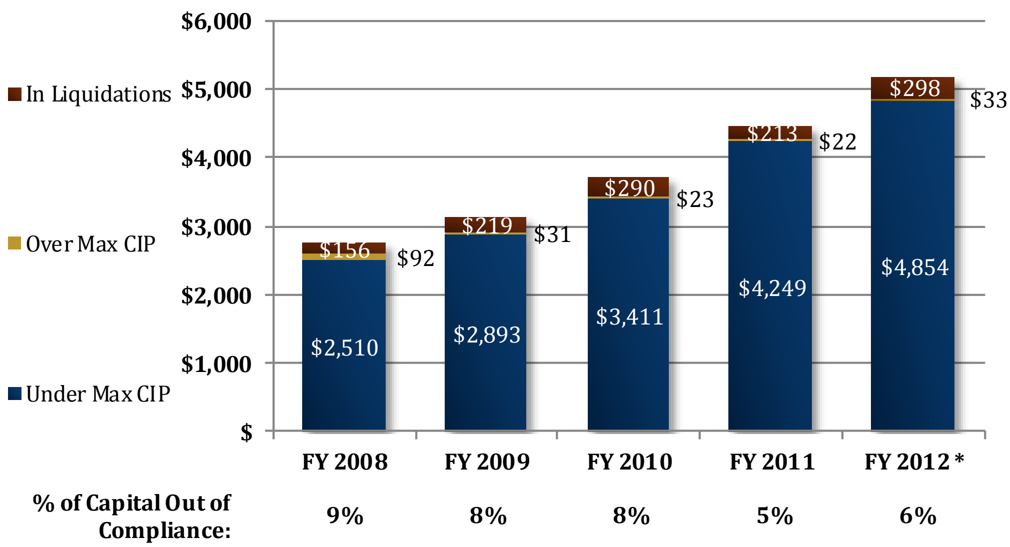
SBA Financial Performance & Risk Management

The SBIC Program operates on a zero subsidy basis and, historically, at no cost to taxpayers. The vast majority of SBICs fully repay their SBA-guaranteed leverage, but SBA charges upfront and annual fees on the leverage that SBICs draw to offset anticipated losses. SBA closely monitors SBICs to ensure they are performing well financially and in compliance with the legal requirements governing the SBIC Program.

As of September 30, 2012, SBA capital at risk with Debenture and Other SBICs was $7.6 billion, including $2.4 billion in outstanding commitments for SBA-guaranteed debenture leverage, $4.9 billion of outstanding SBA-guaranteed leverage, and $0.3 billion of debenture and other leverage held in Liquidations.

Outstanding debenture leverage issued by Debenture and Other SBICs has grown from $2.7 billion in FY 2008 to $5.2 billion in FY 2012. "Non-compliant capital," which includes the leverage of operating SBICs that have exceeded maximum Capital Impairment Percentage (CIP)[5] and the leverage of SBICs in Liquidations, increased from $156 million in FY 2008 to $298 million in FY 2012. As a percentage of debentures outstanding, the amount of non-compliant capital has fallen from 9% to 6% over the last five fiscal years.

Ex. 26 - Status of Outstanding Leverage (*Non-PS Funds Only*)
($ millions)



** FY 2012 liquidations data is preliminary, but unlikely to change*

A Profile in Success
CB Restaurants, INC
Milburn, NJ

Charlie Brown's Steakhouse, founded in 1966, operates family-focused, casual dining steakhouses in New Jersey, New York, and Pennsylvania. In the late 2000s, financial difficulties forced the closure of more than half of its locations, displacing about 2,000 employees. In April 2011, Praesidian Capital Opportunity Fund III, LP, an SBIC, invested in the acquisition of Charlie Brown's remaining locations and the funding of infrastructure improvements, brand-building programs, and an expanded employee training program. Previously closed Charlie Brown's locations have been re-opened, creating approximately 200 new jobs. Recently, Praesidian completed an add-on acquisition that increased Charlie Brown's total employment to more than 2,200 employees.

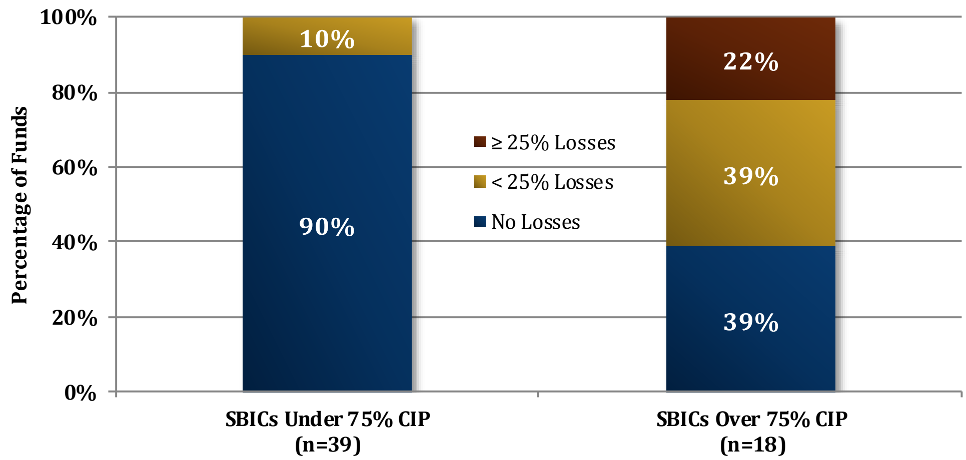
[5] *"Capital Impairment Percentage" measures the losses incurred by a fund relative to its Regulatory Capital, a defined term under 13 CFR 107.50. SBIC regulations establish a maximum level of capital impairment based on each SBIC's leverage ratio and portfolio equity percentage. If the SBIC exceeds its maximum allowable CIP, SBA has the right to transfer the SBIC to Liquidations. A 100% CIP would indicate that an SBIC's losses equal the private capital. Further losses would likely to result in losses to SBA.*

As the SBIC Program has grown, SBA has strengthened its analytical and risk management capabilities. In particular, the Investment Division has analyzed which specific variables correlate to SBICs successfully paying back their SBA-guaranteed leverage. The following charts demonstrate examples of the findings (for information on the data, fund population and methodology underlying these charts, please refer to Appendix III).

The analysis confirmed that CIP is a critical metric to monitor. An analysis of historical Debenture and Other SBIC financial performance indicates that SBA is far more likely to sustain losses when CIP is higher. SBA suffered losses with 61% of SBICs whose CIP exceeded 75% after year 6.

Ex. 27 - SBIC Leverage Losses by CIP

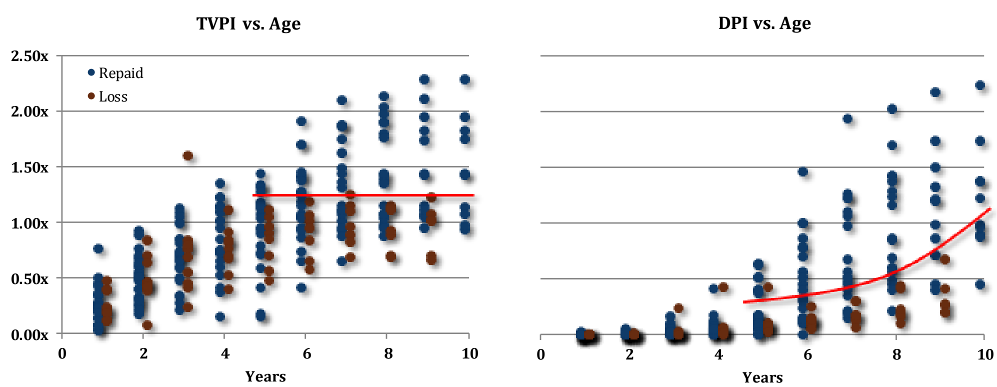
CIPs after Year 6; As of 12/31/2010 (n=57)



This analysis also provides useful data in evaluating track records of funds applying to the program. SBA found that funds that achieve total value to paid-in capital (TVPI) of at least 1.25x almost uniformly have no losses. Similarly, even for funds with significantly unrealized portfolios, their distributions to paid in capital (DPI) can be a leading indicator of whether or not they will repay their leverage.

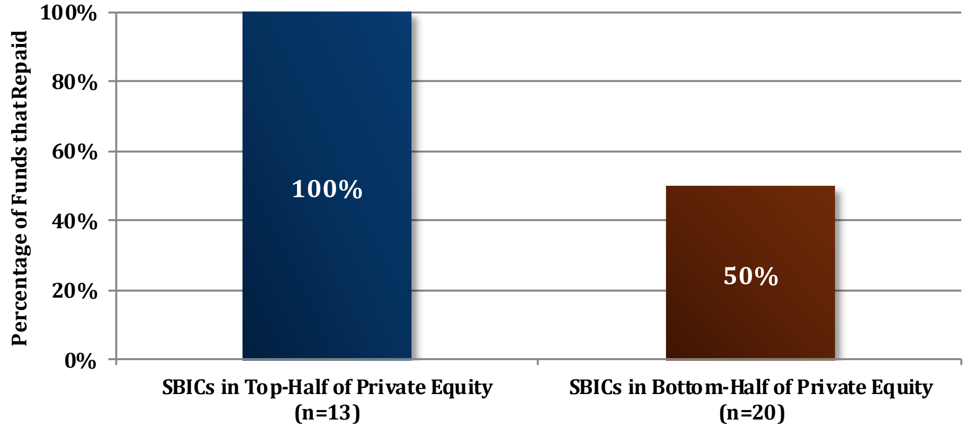
Ex. 28 -Multiples vs. SBIC Fund Age

As of 12/31/2010 (n=33 in Year 1; n=11 by Year 10)



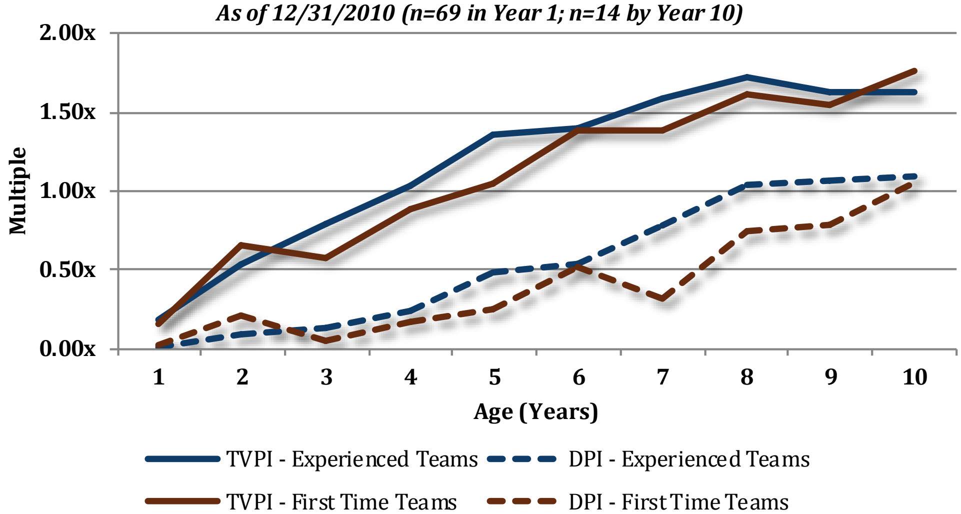
Relative performance mattered as well. SBA experienced no losses from SBIC Debenture and Other SBICs that ranked in the top half of private equity performance based on multiples. SBA suffered losses from 50% of the SBICs that ranked in the bottom half of private equity funds.

Ex. 29 - Percentage of SBICs that Repaid Leverage by Private Equity Rank
As of 12/31/2010; Preqin Benchmark (n=33)



Separate analysis shows that "second-time" SBICs outperform "first-time" SBICs. Yet, contrary to conventional wisdom, SBICs managed by "first time" teams performed as well as "experienced" teams, although the performance did not catch up until the end of the fund.

Ex. 30 - First Time vs. Experienced Teams
As of 12/31/2010 (n=69 in Year 1; n=14 by Year 10)



A Profile in Success
Gemcor
West Seneca, NY

Gemcor II, LLC founder Tom Speller developed the automated riveting machine that replaced "Rosie the Riveter,"and Gemcor equipment is now used worldwide by jetliner manufacturers and their suppliers. In 2004 slowdowns in aircraft manufacturing put Gemcor in a weak financial position. That's when Rand Capital SBIC, Inc., an SBIC, took partial ownership of the company, recruited two new board members, and helped Gemcor obtain financing from the local economic development agency. Gemcor used the funds to reengineer its supply chain and implement a variable cost supply model. Since Rand Capital SBIC's investment, Gemcor revenue has grown from $8 million for 2004 to $19 million for 2011 and the number of employees has nearly doubled from 31 to 61.

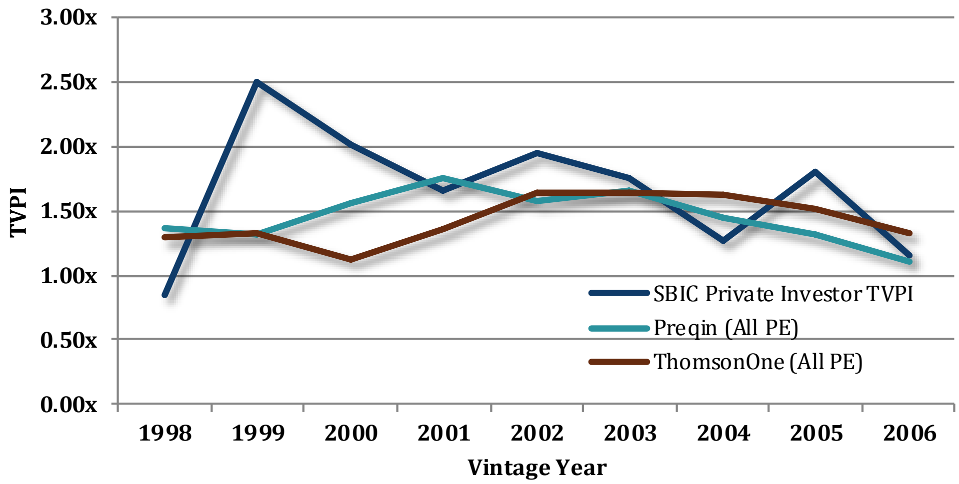
Returns to Private Investors

The success of the SBIC Program depends on the funds' ability to attract private investors seeking strong financial returns. This section presents financial performance metrics from the perspective of private investors for SBICs in the Debenture program only.[6]

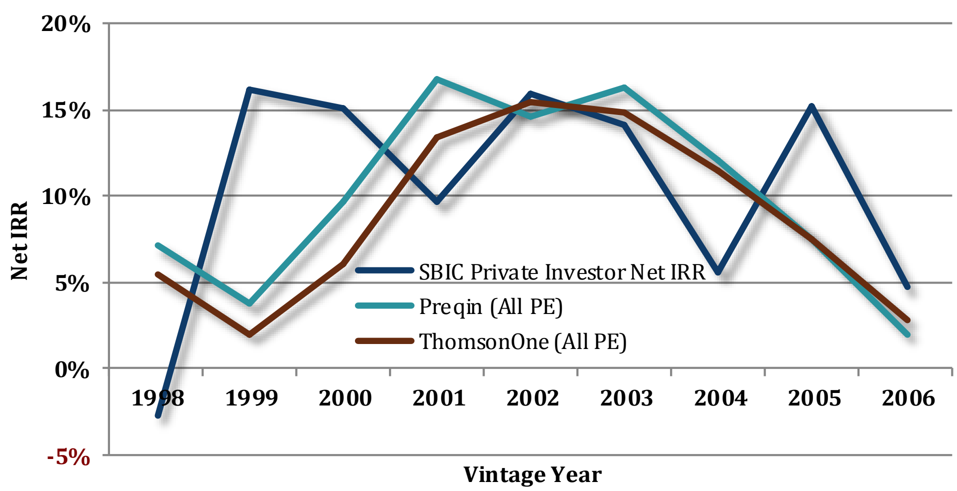
SBICs are considered a distinct alternative asset class within the broader landscape of private equity. The charts that follow benchmark the pooled performance of SBICs against the performance of the private equity industry as a whole by vintage year using data obtained from both Preqin and Thomson Private Equity.

Since 1998, SBIC performance compares favorably on a pooled basis to the rest of the industry in terms of multiples, IRRs, and distributions.

Ex. 31 - SBIC Private Investor Returns v. Benchmarks
Total Value to Paid-In Captal (TVPI) - Pooled Basis as of 12/31/2011



Ex. 32 - SBIC Private Investor Returns v. Benchmarks
Net IRR to Private Investors - Pooled Basis as of 12/31/2011

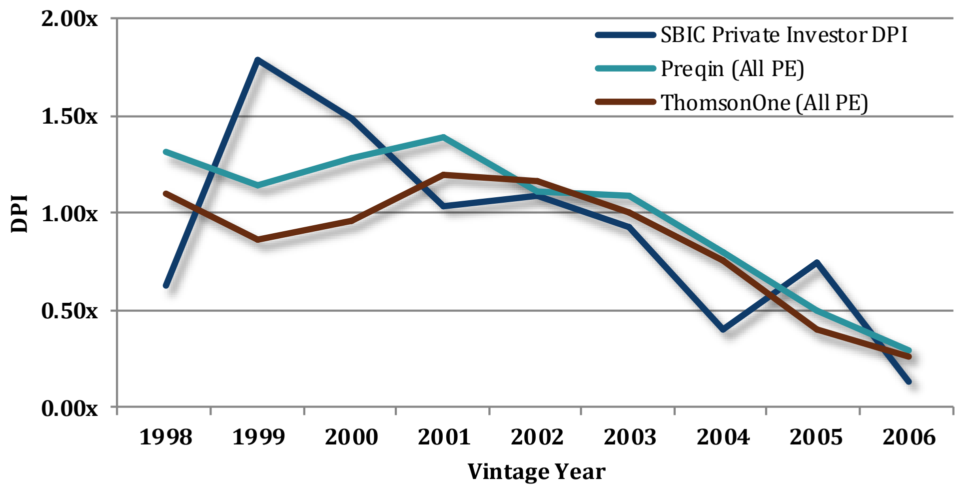


[6] *These metrics are only available for SBICs licensed since fiscal year 1998 as data for funds of prior vintage years are not available. Please refer to Appendix IV for information on the data, methodology and assumptions underlying the analyses in this section.*

A Profile in Success
Security Innovation
Wilmington, MA

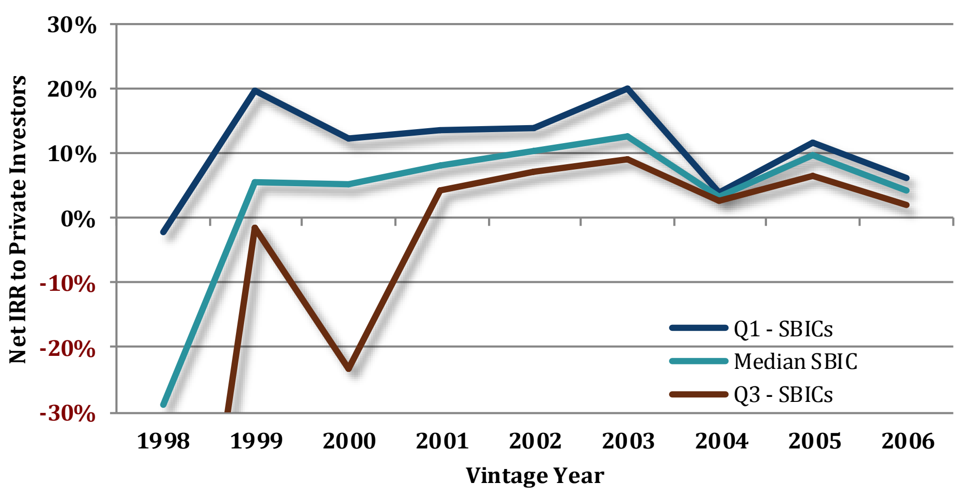
Security Innovation, Inc. provides Application Security software and services to mid-sized and Fortune 500 companies. Founded in 2002, the company offers security testing services based on U.S. government- and corporate-funded software security research led by Dr. James A. Whittaker at the Florida Institute of Technology. In 2008, after spinning off its government business, Brook Ventures IIA, LP, an SBIC, invested capital to support the development, marketing and sale of a portfolio of Application Security products. Brook Ventures continued to support the company through the recent economic downturn, helping Security Innovation return to a 30% sales growth trajectory in the past 3 years. Employment has grown from a recession low of 22 to 48 full-time employees today.

Ex. 33 - SBIC Private Investor Returns v. Benchmarks
Distributions to Paid-In Captal (DPI) - Pooled Basis as of 12/31/2011



The chart below breaks down the performance of SBICs into quartiles. SBICs of earlier vintage years show substantially more variance in performance than those of more recent vintages.

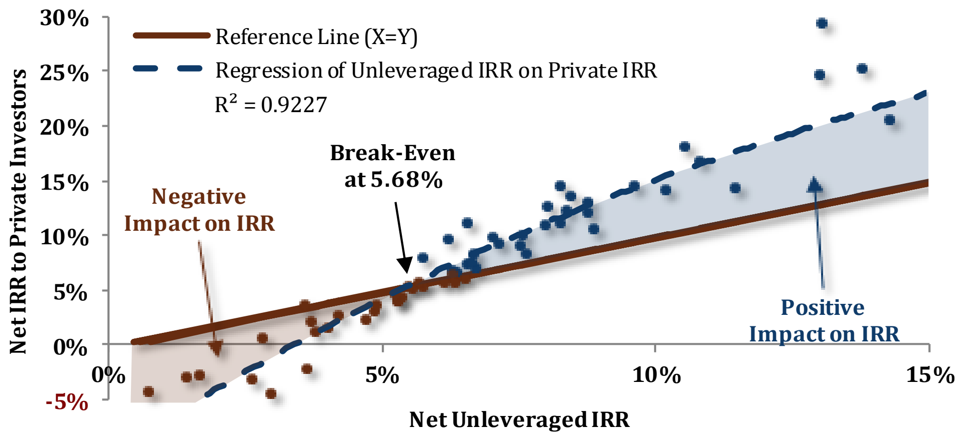
Ex. 34 - SBIC Private Investor IRR Quartiles by Vintage Year
As of 12/31/2011



As with any leveraged vehicle, SBA-guaranteed leverage has the effect of amplifying the underlying performance of the SBIC. SBA-guaranteed leverage can enhance returns to investors in strong performing SBICs just as it can lower returns to private investors in poor performing ones.

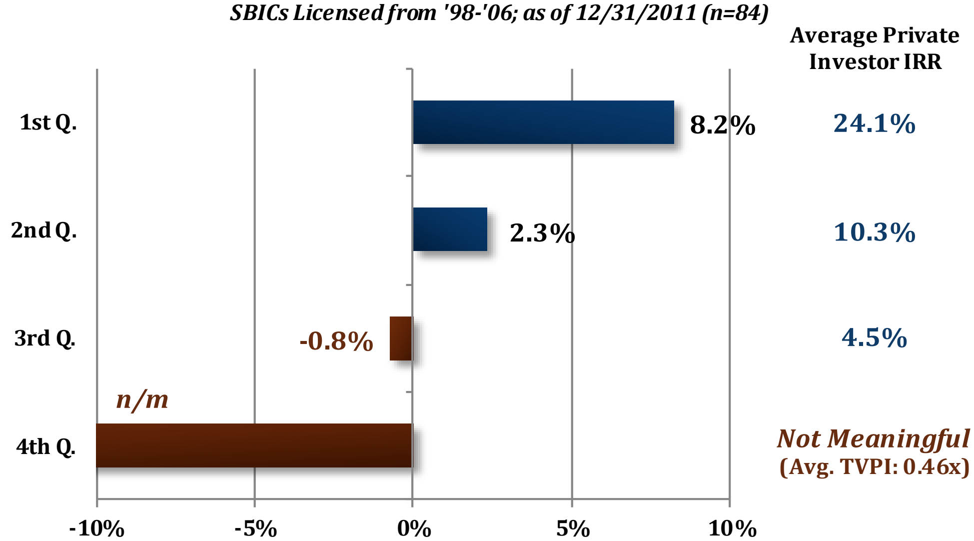
The chart below plots the unleveraged IRR and private investor IRR to help identify the "break-even" point at which SBA-guaranteed leverage has a neutral effect on returns. The break-even rate for this group of SBICs was an unleveraged IRR between 5% and 6%. Not surprisingly, this figure roughly matches the sum of the interest rate and annual fee charged for debentures issued in the years consistent with this data set. Given the decline of the interest rate on SBA-guaranteed Trust Certificates over the past decade, one would expect the break-even point to decline in coming years.

Ex. 35 - Unleveraged IRR Correlation to Private IRR
Debenture SBICs VYs 1998-2006
SBICs with positive unleveraged IRRs; As of 12/31/2011 (n= 71)



Relative to the private equity industry as a whole, SBICs that perform in the first and second quartile of private equity on an unleveraged basis benefit significantly from access to SBA-guaranteed leverage. For third quartile SBICs, the leverage has a slightly negative effect. SBICs that perform in the bottom quartile of private equity suffer a large negative impact from the use of leverage.

Ex. 36 - Average Impact of SBA Leverage on Private IRR
SBICs Licensed from '98-'06; as of 12/31/2011 (n=84)



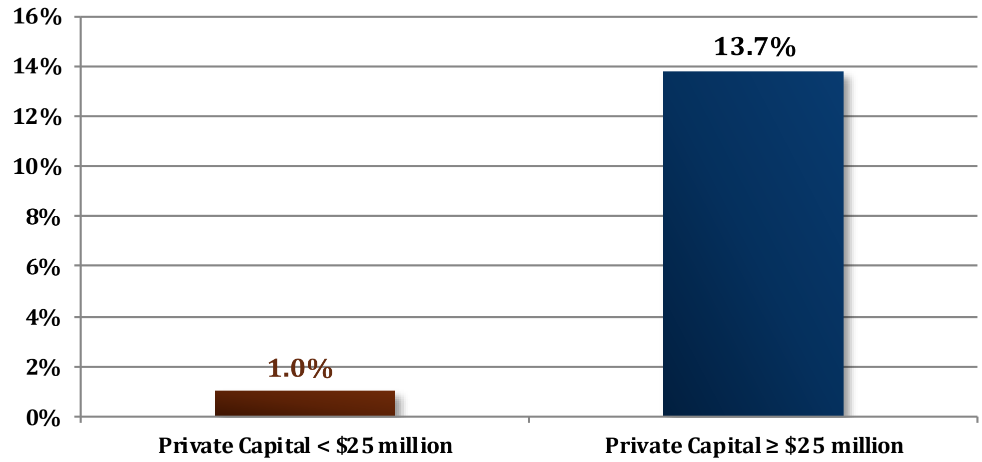
A Profile in Success

Hawke Aerospace
Morgantown, PA

Hawke Aerospace Holdings, LLC (Hawke Aerospace) provides FAA-approved flight services, repair and maintenance services to communities and public service organizations throughout the Mid-Atlantic. The company has positioned helicopters throughout the Mid-Atlantic and coordinates their use in law enforcement activities, emergency medical care and inspection of utility pipelines. Boathouse Capital, an SBIC, invested mezzanine debt to consolidate the company's existing debt, support the continuation of its training programs, and facilitate the company's pursuit of growth opportunities. Since December 2010, Hawke Aerospace has more than doubled its number of employees from 45 to over 100.

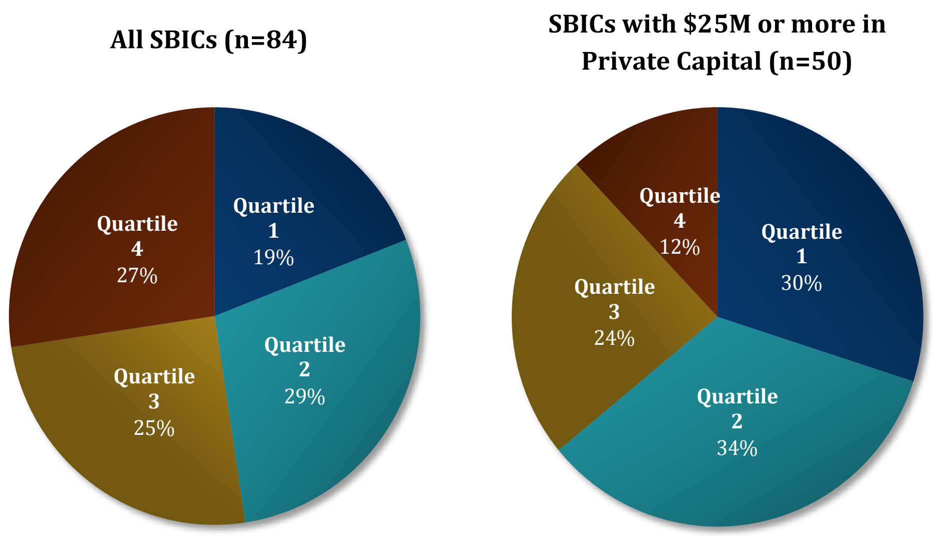
However, these aggregate results mask large differences in performance among various types of SBICs. On average, SBICs with $25 million or more in private capital have significantly higher returns than those with less than $25 million in private capital.[7]

Ex. 37 - Pooled Private Investor IRRs by SBIC Size
VY's 1998 - 2006; as of 12/31/2011 (n=84)



The performance of SBICs with $25 million or more in private capital is significantly better on a relative basis as well. The bulk of the SBICs that rank in the first and second quartiles of private equity are these larger SBICs. Close to two-thirds of SBICs with $25 million or more in private capital fall in the top half of private equity, while nearly one-third make it into the top quartile.

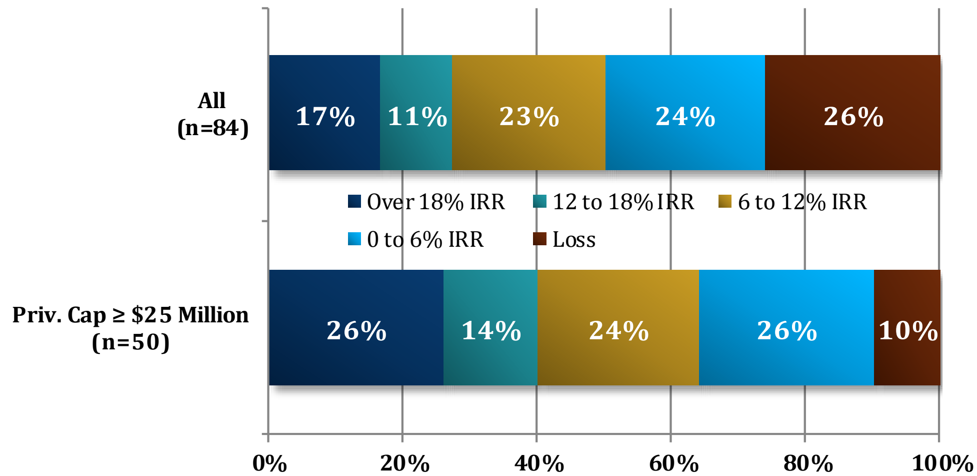
Ex. 38 - Distribution of SBICs by Private Equity Quartile
Based on Private Investor IRR for VY's 1998-2006; as of 12/31/2011



[7] *SBA adjusted SBIC Private Capital for inflation using the Bureau of Labor and Statistics inflation calculator. Available at http://www.bls.gov/data/inflation_calculator.htm*

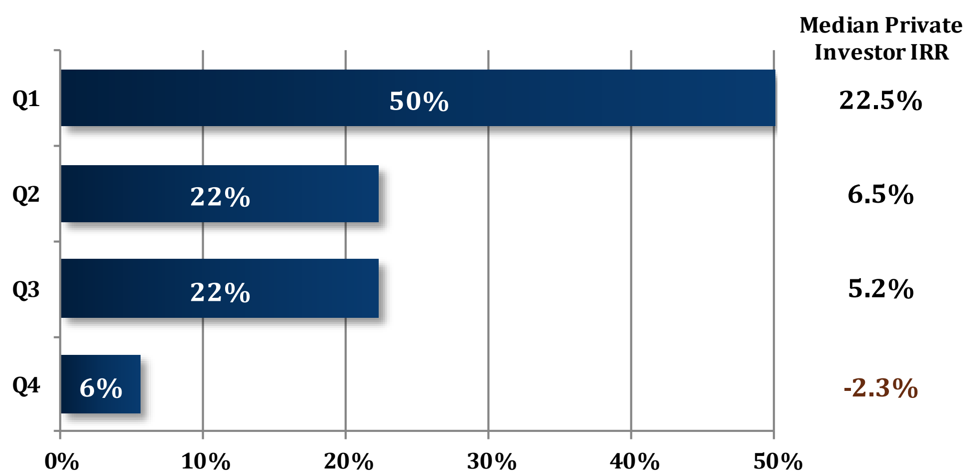
In terms of absolute returns, 26% of these larger SBICs generate net returns to private investors greater than 18%.

Ex. 39 - Distribution by Private Investor IRR and Fund Size
Funds Licensed '98-'06 as of 12/31/2011



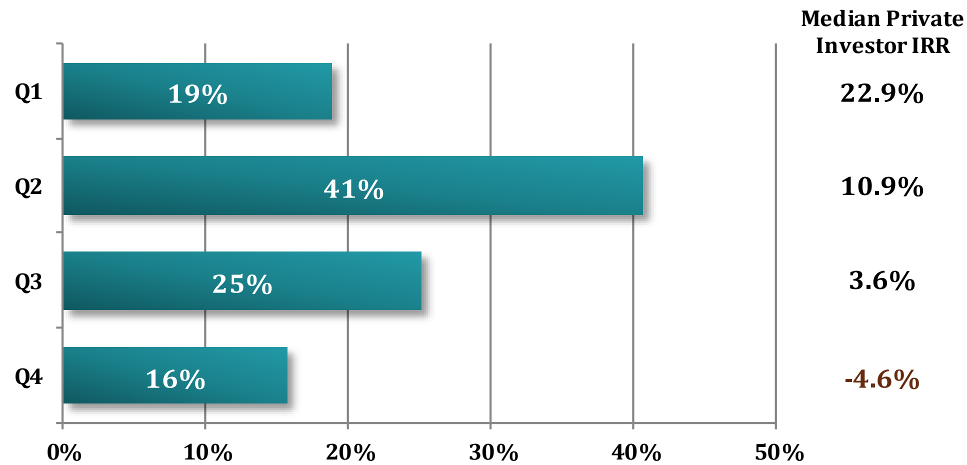
The return profiles of Debenture SBICs also differ by strategy. Of the SBICs that exceed the $25 million private capital threshold and are pursuing buyout strategies, 50% are top quartile performers yielding median net IRRs of 22.5%. An additional 22% fall in the second quartile.

Ex. 40 - Distribution of SBICs by Preqin PE Quartile: Buyout Funds with $25M or more in Private Capital
Funds Licensed '98-'06 as of 12/31/2011; Indexed to Inflation (n=18)



SBICs pursuing mezzanine or credit-oriented strategies have also experienced strong performance: 19% fall into the top quartile of private equity with a median IRR of 22.9% and 41% fall into the second quartile with a median net IRR of 10.9%. Given the lower loss rates for most mezzanine and credit-oriented SBICs, these returns may be even more attractive when considered on a risk-adjusted basis.

Ex. 41 - Distribution of SBICs by Preqin PE Quartile: Mezzanine Funds with $25M or more in Private Capital
Funds Licensed '98-'06 as of 12/31/2011; Indexed to Inflation (n=32)



A Profile in Success
Custom Marketing Co.
West Fargo, ND

Custom Marketing Company (CMC), founded by a farmer, has developed technology to dry down grain more efficiently than the traditional methods. CMC uses electrical energy to move high volumes of air through stored grain to dry it down to a moisture content safe for long-term storage. Customers have reported that using CMC technology has produced higher test weight and greater revenue per bushel. In 2009, three SBICs, Diamond State Ventures II, L.P., CFB Venture Fund L.P., and MidStates Capital Fund II, L.P., funded a management buyout of CMC. Under the SBICs' guidance, CMC is professionalizing its business practices. In addition, the SBICs are supporting CMC's plan to extend delivery of its technology across America.

A Profile in Success
Center Rock
Berlin, PA

The fate of the 33 miners trapped beneath the rubble of a collapsed Chilean copper and gold mine captured worldwide attention in August 2010. It was a Center Rock-designed and manufactured drill bit that tore through nearly a half mile of hard rock to reach the miners, freeing the men about two months sooner than expected. The drill bit was manufactured in a Center Rock facility financed by Gemini Investors, an SBIC. The SBIC firm bought a controlling stake in Center Rock in 2005 with an investment of $4 million, and facilitated Center Rock's transition from a distributor to a manufacturer of drilling equipment. While Gemini held control of the company, revenues increased from about $7 million for 2005 to $30 million for 2008 for a CAGR of 62%.

Participating Securities Program

The Participating Securities (PS) Program ended at fiscal year end 2004 and no further SBA-guaranteed PS leverage was funded after fiscal year end 2008. Overall, SBICs issued $10.3 billion in SBA-guaranteed PS leverage for fiscal years 1994 through 2008.

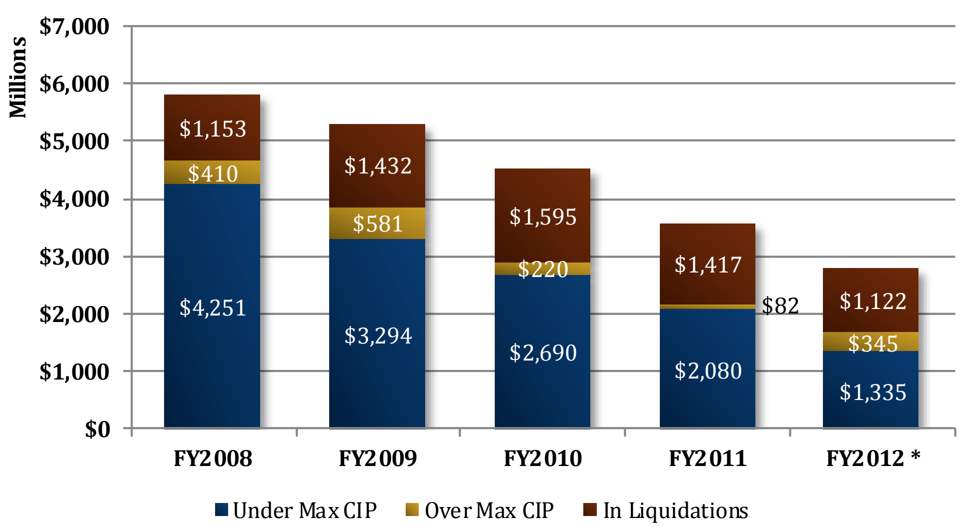
Table 8 in the Federal Credit Supplement Spreadsheet to the Fiscal Year 2013 budget estimates approximately $2.4 billion in losses to the program.[8] As of September 30, 2012, SBA had transferred 136 SBICs with almost $4 billion in SBA-guaranteed PS leverage to Liquidations. Appendix II provides detailed leverage statistics by FY for SBICs licensed since fiscal year 1994.

SBA conducted extensive analysis of the program to evaluate where it failed. Findings included:

- As of December 31, 2011, Participating Securities pooled fund performance showed positive returns.
- Timing played an important part. The majority of the capital was allocated between 1999 and 2004, some of the worst years in venture capital.
- The primary problem was structure. As a result of a complex structure, government contributed 62% of the capital, but received only 34% of the profits. It is estimated that a simple pro rata profit distribution structure would have covered all leverage drawn and kept the program close to break even.

The chart below shows the wind-down of the Participating Securities Program since the last issuance of SBA-guaranteed PS leverage in FY 2008.

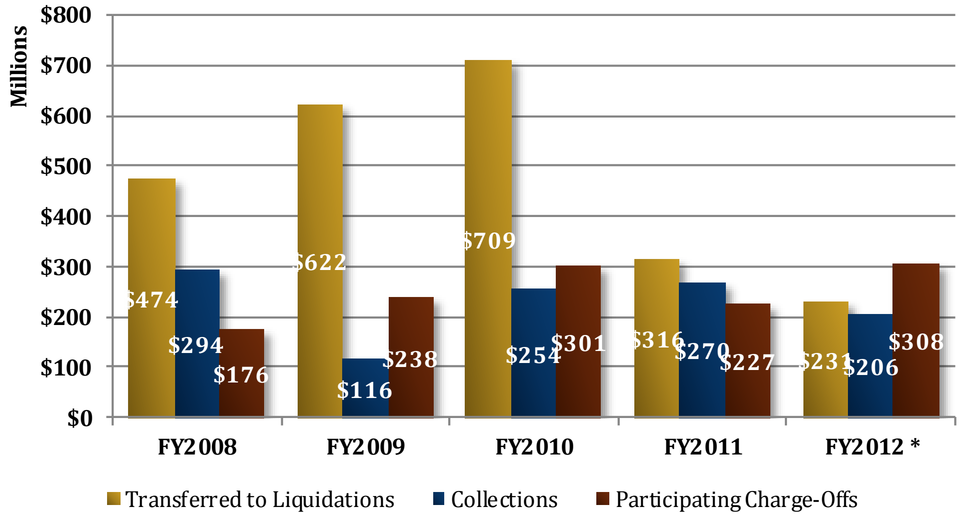
Ex. 42 - Status of Outstanding Participating Securities Leverage



[8]*Available at: http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/cr_8.xls*

As shown, the overall outstanding leverage has steadily decreased since FY 2008, with the total amount remaining in Liquidation remaining fairly constant. The chart below shows Liquidation activities for Participating Securities SBICs during this timeframe.

Ex. 43 - Status of Outstanding Participating Securities Leverage



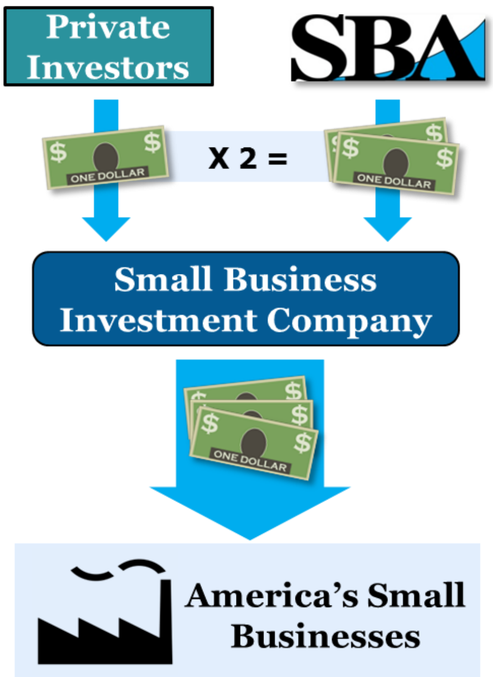
Transfers have started to decline as less SBA-guaranteed PS leverage remains outstanding in Operations. Collections have slightly outpaced leverage charge-offs. Almost all prioritized payments associated with Participating Securities SBICs transferred to Liquidations have been charged-off. To date, SBA has charged off over $1 billion in prioritized payments.

Although SBA estimates the Participating Securities Program will lose approximately $2.4 billion, the program has provided significant economic benefits, in that it has:

- Funded $14.8 billion in financings,
- Financed 4,062 small businesses, and
- Created or sustained 387,929 jobs.[9]

[9] *SBA estimates jobs created or sustained using the results of two studies on the impact of venture capital on employment. These studies estimate that one job is created or sustained for every $36,000 invested (adjusted for inflation). Studies: 1) DRI-WEFA, "Measuring the Importance of Venture Capital and Its Benefits to the United States Economy," June 19, 2002. 2) Cook & Nevins. The Zermatt Group. "The 1999 Arizona Venture Capital Impact Study," March, 1999.*

APPENDIX I: SBIC Program Overview



A multi-billion dollar program founded in 1958, the SBIC Program is one of many financial assistance programs available through the U.S. Small Business Administration. The structure of the program is unique in that SBICs are privately owned and managed investment funds, licensed and regulated by SBA, that use their own capital plus funds borrowed with an SBA guarantee to make equity and debt investments in qualifying small businesses. The U.S. Small Business Administration does not invest directly into small business through the SBIC Program, but provides funding to qualified investment management firms with expertise in certain sectors or industries.

Types of Licenses:

Investment funds seeking to be licensed as leveraged SBICs currently have the option of applying for three different types of licenses:

Standard Debenture License: Funds have been licensed as Standard Licensees since the program was founded in 1958. These funds have the broadest investment mandate, are licensed through a "rolling admissions" process and are eligible for two tiers of leverage, capped at $150 M.

Impact Investment License: The Impact license is for funds with an investment mandate targeting social as well as financial returns. The managers of these funds pledge to invest 50% of their capital in "impact" investments, are eligible for an expedited licensing process and may have access to two tiers of leverage, capped at $80 M.

Early Stage Innovation License: The Standard and Impact licenses are most suitable for investors targeting later-stage companies with cash flow. The Early Stage Innovation License is designed to attract investment fund managers with experience supporting companies in their earliest stages of growth. Early Stage Innovation funds have access to one tier of leverage, capped at $50 million, and are licensed through an annual call rather than on a rolling basis.

SBIC Investment Requirements:

The SBA relies on the sound judgment of SBIC fund managers to identify promising small businesses. SBA plays no role in the investment decision-making process of its licensees. However, SBICs are subject to certain restrictions to ensure their financing goes to the kinds of companies the program is designed to assist.

SBICs may….

- Invest in small businesses using loans, debt with equity features or straight equity
- Invest in small businesses located in the U.S. or its territories
- Invest in small businesses in a variety of sectors, such as manufacturing and consumer goods
- Control their portfolio companies for up to seven years

SBICs may not…

- Invest an amount greater than 30% of their Regulatory Capital in any one business
- Invest in businesses with more than 49% of their employees located abroad
- Invest in project finance, real estate, financial intermediaries or sectors deemed contrary to the public interest
- Control small businesses for more than seven years without SBA approval

APPENDIX II: Annual Financial Report

--- Program Composition ---	FY End 2008	FY End 2009	FY End 2010	FY End 2011	FY End 2012
--- Program Composition of Operating SBICs ---					
Total Number of Licensees	**348**	**315**	**307**	**299**	**301**
Debenture	129	126	140	143	158
Participating Security	149	127	107	97	86
Bank-Owned/Non-Leveraged	54	48	47	46	44
Specialized SBICs	16	14	13	13	13
--- Private Capital of Operating SBICs by Fund Type ($ in millions) ---					
a. Regulatory Private Capital	**$9,021.1**	**$8,650.1**	**$8,649.6**	**$8,862.7**	**$9,376.6**
Debenture	3,194.7	3,401.2	4,184.6	5,071.1	6,114.4
Participating Security	3,956.7	3,361.7	2,722.3	2,286.5	1,881.5
Other	1,869.7	1,887.2	1,742.6	1,505.1	1,380.8
b. Leverageable Private Capital	**$6,538.9**	**$6,260.0**	**$6,249.9**	**$6,057.5**	**$6,187.0**
Debenture	2,149.9	2,308.5	2,774.4	3,158.1	3,795.2
Participating Security	2,917.6	2,510.3	2,083.9	1,778.4	1,457.6
Other	1,471.4	1,441.2	1,391.6	1,120.9	934.2
c. Unfunded Private Commitments	**$2,482.2**	**$2,390.1**	**$2,399.7**	**$2,805.2**	**$3,189.6**
Debenture	1,044.8	1,092.7	1,410.2	1,913.0	2,319.2
Participating Security	1,039.1	851.4	638.4	508.0	423.8
Other	398.3	446.0	351.1	384.2	446.6
--- Combined Private Capital and SBA Capital at Risk of Operating SBICs ($ in millions) ---					
d. SBA Capital at Risk (e + f)	**$8,531.9**	**$8,196.0**	**$7,902.6**	**$8,253.3**	**$8,822.6**
Debenture	3,674.6	4,152.0	4,883.4	5,999.0	7,230.6
Participating Security	4,835.6	4,026.6	3,005.0	2,235.4	1,573.2
Other	21.8	17.4	14.2	18.9	18.9
e. Outstanding SBA Leverage	**$7,262.7**	**$6,799.9**	**$6,339.5**	**$6,433.1**	**$6,434.8**
Debenture	2,527.7	2,892.0	3,409.8	4,244.9	4,870.6
Participating Security	4,713.3	3,890.5	2,915.5	2,174.4	1,548.4
Other	21.8	17.4	14.2	13.9	15.9
f. Outstanding SBA Commitments	**$1,269.2**	**$1,396.0**	**$1,563.1**	**$1,820.2**	**$2,387.8**
Debenture	1,146.9	1,260.0	1,473.6	1,754.2	2,360.0
Participating Security	122.3	136.0	89.5	61.1	24.8
Other	0.0	0.0	0.0	5.0	3.0
g. Unreimbursed Prioritized Payments	**$594.2**	**$581.1**	**$508.0**	**$444.9**	**$358.9**
--- Combined Private Capital and SBA Capital at Risk of Operating SBICs ($ in millions) ---					
h. Total Capital at Risk (a + d)	**$17,553.0**	**$16,846.0**	**$16,552.1**	**$17,116.0**	**$18,199.2**
Debenture	6,869.3	7,553.2	9,068.1	11,070.1	13,344.9
Participating Security	8,792.3	7,388.2	5,727.3	4,521.9	3,454.6
Other	1,891.5	1,904.6	1,756.8	1,524.0	1,399.6
--- Program Composition in Liquidation ($ in Millions) ---					
Total Number of Licensees	**118**	**132**	**140**	**123**	**117**
Participating Security	64	82	84	80	79
Other	54	50	51	43	38
Leverage Balance	**$1,308.8**	**$1,650.6**	**$1,885.1**	**$1,629.3**	**$1,463.5**
Participating Security	1,152.6	1,429.0	1,585.0	1,406.5	1,165.4
Other	156.2	221.6	300.1	222.8	298.1
--- Program Funding ($ in millions) ---					
Debenture Authorization ($ in Millions)	$3,000.0	$3,000.0	$3,000.0	$3,000.0	$3,000.0
Annual Charge	0.7%	0.4%	0.3%	0.5%	0.8%
Latest Debenture Pooled Interest Rate	5.6%	4.4%	3.6%	3.6%	2.5%

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--- Economic Impact: SBIC Financings to Small Business Reported ---	FY End 2008	FY End 2009	FY End 2010	FY End 2011	FY End 2012
--- Total SBIC Program ---					
Number of Companies Financed	**1,905**	**1,481**	**1,331**	**1,339**	**1,094**
Special Competitive Opportunity Gap	632	441	392	430	290
Businesses Located in LMI Areas	460	321	318	351	216
Women, Minority, Veteran Owned	238	164	109	110	108
Financing Amount Reported ($ in millions)	$2,427.4	$1,856.1	$2,047.1	$2,833.4	$3,227.4
Straight Debt	672.2	564.4	803.8	1,375.2	1,927.7
Debt with Equity Features	836.4	718.2	772.3	1,022.9	723.3
Equity Only	918.8	573.5	471.0	435.2	576.4
Number of Jobs Created or Sustained *	54,505	42,306	46,130	61,527	68,918
--- Debenture SBICs ---					
Number of Companies Financed	**1,249**	**963**	**896**	**1,007**	**795**
Special Competitive Opportunity Gap	461	296	275	310	192
Businesses Located in LMI Areas	346	224	231	263	153
Women, Minority, Veteran Owned	164	106	64	65	50
Financing Amount Reported ($ in millions)	$1,436.3	$1,227.4	$1,587.0	$2,588.6	$2,950.3
Straight Debt	596.3	488.8	754.8	1,344.8	1,855.1
Debt with Equity Features	655.7	586.1	665.4	963.5	671.7
Equity Only	184.3	152.5	166.8	280.3	423.6
Number of Jobs Created or Sustained *	32,251	27,977	35,760	56,211	63,001
--- Non-Leveraged, Bank-Owned and Specialized SBICs ---					
Number of Companies Financed	**142**	**130**	**133**	**136**	**166**
Special Competitive Opportunity Gap	69	62	58	68	83
Businesses Located in LMI Areas	24	24	33	40	48
Women, Minority, Veteran Owned	60	47	38	41	58
Financing Amount Reported ($ in millions)	$148.9	$165.6	$124.5	$79.9	$175.2
Straight Debt	15.7	24.0	12.5	14.1	57.3
Debt with Equity Features	23.1	34.0	18.9	12.3	23.1
Equity Only	110.1	107.6	93.1	53.5	94.8
Number of Jobs Created or Sustained *	3,344	3,775	2,806	1,736	3,742
--- Participating Security SBICs ---					
Number of Companies Financed	**591**	**445**	**346**	**220**	**157**
Special Competitive Opportunity Gap	114	95	66	58	20
Businesses Located in LMI Areas	100	85	61	54	19
Women, Minority, Veteran Owned	16	13	7	4	1
Financing Amount Reported ($ in millions)	$842.2	$463.1	$335.6	$164.9	$101.8
Straight Debt	60.2	51.6	36.4	16.2	15.3
Debt with Equity Features	157.7	98.1	88.1	47.2	28.5
Equity Only	624.3	313.4	211.2	101.5	58.0
Number of Jobs Created or Sustained *	18,910	10,555	7,564	3,580	2,175

** SBA estimates jobs created or sustained using the results of two studies on the impact of venture capital on employment. These studies estimate that one job is created or sustained for every $36,000 invested (adjusted for inflation). Studies: 1) DRI-WEFA, "Measuring the Importance of Venture Capital and Its Benefits to the United States Economy," June 19, 2002. 2) Cook & Nevins. The Zermatt Group. "The 1999 Arizona Venture Capital Impact Study," March, 1999.*

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--- Program Office Activities ---	FY End 2008	FY End 2009	FY End 2010	FY End 2011	FY End 2012
--- New Licensees ---					
New Licensees by Fund Type	**6**	**11**	**23**	**22**	**30**
Debenture	5	8	21	18	27
Bank-Owned/Non-Leveraged	1	3	2	4	3
Initial Private Capital ($ in millions)	$240.4	$345.2	$654.8	$840.1	$973.9
Debenture	232.4	257.4	615.6	713.6	892.6
Bank-Owned/Non-Leveraged	8.0	87.8	39.2	126.5	81.3
--- Licensing Pipeline ---					
Total in Pipeline	**- -**	**- -**	**66**	**62**	**57**
In Applicant Review/Program Development	- -	- -	14	10	8
In Capital Raising	- -	- -	42	34	30
In Licensing	- -	- -	10	18	19
--- Program Development and Licensing Activity ---					
Applicant Initial Review/Program Development					
Received During FY	27	48	73	74	61
1st Time SBIC Applicants	19	29	54	52	43
Subsequent Fund Applicants	8	19	19	22	18
Processed in FY	**22**	**48**	**64**	**78**	**63**
Green Light Letters Issued	**11**	**36**	**40**	**40**	**38**
% of Processed Receiving Green Light	*50%*	*75%*	*63%*	*51%*	*60%*
Average Months to Process					
1st Time SBIC Applicants	2.0	2.7	3.5	3.5	2.2
Subsequent Fund Applicants	- -	- -	1.2	0.6	1.1
% Completed in Goal					
1st Time SBIC Applicants (2 months)	- -	17%	5%	16%	55%
Subsequent Fund Applicants (1 month)	- -	- -	88%	91%	70%
Raising Capital in Process					
Green Light Letters Expired	**- -**	**- -**	**- -**	**11**	**9**
Licensing Applications Submitted	**- -**	**- -**	**- -**	**33**	**36**
Total Exiting the Capital Raising Process	- -	- -	- -	44	45
% of Processed Receiving Green Light	- -	- -	- -	75%	80%
Licensing					
Received During FY	**- -**	**- -**	**15**	**33**	**36**
1st Time SBIC Applicants	- -	- -	6	20	19
Subsequent Fund Applicants	- -	- -	9	13	17
Otherwise Resolved During FY	5	3	2	10	10
FY Number of New Licensees	**6**	**11**	**23**	**22**	**30**
1st Time SBIC Applicants	1	3	10	11	15
Subsequent Fund Applicants	5	8	13	11	15
Average Months to Process	- -	14.6	5.8	5.5	5.4
% Completed in Goal (6 months)	- -	- -	*65%*	*50%*	*57%*

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--- Program Office Activities ---	FY End 2008	FY End 2009	FY End 2010	FY End 2011	FY End 2012
--- Leverage Activities in Operations ---					
Debenture Leverage					
Commitments Issued	$1,029.4	$788.0	$1,164.8	$1,827.5	$1,924.1
Draws	649.1	594.9	931.0	1,392.0	1,421.7
Redemptions (Pre-Paid and at Maturity)	224.8	149.3	250.5	544.2	651.8
Transfers to Liquidations	26.3	86.6	95.8	8.5	144.4
% of Beginning Leverage Transferred	*1.2%*	*3.3%*	*3.2%*	*0.2%*	*3.3%*
Participating Securities Leverage					
Prioritized Payments (PP) Advanced	$246.6	$228.0	$186.0	$136.4	$99.3
SBA Distributions	**$895.8**	**$314.8**	**$480.8**	**$659.1**	**$560.1**
Prioritized Payments	174.9	83.8	98.7	143.1	86.8
Adjustments and Annual Fees	45.1	27.1	39.5	54.4	25.4
Profit Participation	40.2	10.9	10.5	26.7	44.2
PS Redemptions--Operating SBICs	635.6	193.0	332.1	434.9	403.7
Transfers to Liquidations	$473.9	$619.3	$701.4	$307.5	$220.1
% of Beginning Leverage Transferred	*9.6%*	*13.3%*	*18.3%*	*11.0%*	*10.8%*
Prioritized Payments at Transfer	$132.5	$156.2	$179.9	$35.7	$49.3
--- SBIC Examinations Activities ---					
Exam Reports Issued	**273**	**268**	**249**	**260**	**233**
Exam Cycle (months)	16	15	14	13	13
Number of Reports with Findings	58	47	25	35	21
% of Reports with Findings	*21.3%*	*17.5%*	*10.0%*	*13.5%*	*9.0%*
Licensees wth Leverage	**224**	**218**	**196**	**199**	**182**
Exam Cycle (months)	15	14	13	12	12
Number of Reports with Findings	50	37	17	22	12
% of Reports with Findings	*22.3%*	*17.0%*	*8.7%*	*11.1%*	*6.6%*
Licensees without Leverage	**49**	**50**	**53**	**61**	**51**
Exam Cycle (months)	23	21	18	16	16
Number of Reports with Findings	8	10	8	13	9
% of Reports with Findings	*16.3%*	*20.0%*	*15.1%*	*21.3%*	*17.6%*
--- Surrenders and Transfers to Liquidation ---					
SBIC License Surrenders	**14**	**15**	**9**	**24**	**17**
Debenture	5	5	4	14	8
Participating Security	5	1	2	4	4
Bank-Owned/Non-Leveraged	4	9	2	6	5
Specalized SBICs	0	0	1	0	0
SBIC Licensee Transfers to Liquidation	**13**	**29**	**22**	**6**	**11**
Debenture and Specialized SBICs	3	9	4	0	4
Participating Security	10	20	18	6	7
--- Activities in the Office of Liquidation ---					
Participating Security Leverage					**As of 6/30/12**
Total Collections	**$293.7**	**$115.5**	**$254.0**	**$269.7**	**$158.1**
Leverage Charge-offs	$176.1	$237.8	$300.9	$220.7	$10.2
Prioritized Payments Charged off	$134.2	$162.7	$179.9	$56.6	$21.3
Collections as % of Beginning Balance	*25.6%*	*10.0%*	*17.8%*	*17.0%*	*11.2%*
Debenture Leverage					
Total Collections	**$42.4**	**$12.0**	**$11.4**	**$22.4**	**$26.9**
Leverage Charge-offs	$14.8	$15.1	$19.1	$64.3	$0.0
Collections as % of Beginning Balance	*22.8%*	*7.7%*	*5.1%*	*7.5%*	*12.1%*

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APPENDIX III: Data Sources and Methodology for SBA Financial Performance & Risk Management

Unless otherwise noted, the data presented in the main body of the report and in "Appendix II: Annual Financial Report" has been drawn from (i) reports submitted to SBA by SBICs and maintained in the Investment Division information database, or (ii) other information tracked by the Investment Division's various offices.

In 2011, SBA asked a third-party contractor, FI Consulting, to analyze the SBIC Operational and Liquidations data to identify metrics and trends to improve SBA decision making with regards to Debenture SBICs in both Licensing and Operations. The results of that analysis form the basis for the "SBA Financial Performance & Risk Management" section of the report.

In performing this analysis, the contractor only considered SBICs that had reached completion in terms of either repaying SBA its leverage or establishing SBA losses. Because this is a long term program, it often takes years for an SBIC to repay SBA leverage. The contractor also noted the following limitations with respect to this analysis:

- Financial data only goes back to 1993
- Data may be missing or incomplete because not all SBICs report on a consistent basis after transfer to the Office of Liquidations
- Limited population of completed SBICs (repaid or transferred with at least 50% of liquidation complete) to evaluate because (i) the historical average age at transfer for Debenture SBICs is 13.9 years , and (ii) Debenture SBICs often take 13 to 20 years to repay SBA leverage
- Results of statistical tests (regressions and t-tests) were statistically insignificant due to a lack of observations

As a result of these limitations, the contractor used a base population of 83 SBICs that had the following characteristics:

- Funds that were Debenture or Bank-owned
- Funds that were active with outstanding leverage since 1997
- Funds licensed before December 1, 2009 (removes very young funds)
- Funds that had reached completion (repaid leverage or transferred to Office of Liquidations and had resolved more than 50% of their leverage)

The table below separates this group by the year the SBIC was licensed:

	Number of Funds		
License Group	**With Losses**	**Repaid**	**Total**
Pre-1989	5	20	25
1989 - 1993	5	8	13
1994 - 2003	9	36	45
Total	19	64	83

Depending on the analysis performed, further filters were applied which further decreased the population for certain analyses. For example, because 1031 Financing data was only available for investments made since 1989, assessments that related to investing applied an additional filter of licensed on or after 1989, dropping the population to 58.

Exhibit 11: SBIC Loss Rates by Size

Fund Size Summary

Private Capital	Count of Funds	Funds with Losses	% Loss	Leverage Issued ($mm)	Leverage Loss ($mm)	Leverage Loss Rate	Average Vintage Year
$5mm to $10mm	21	6	28.57%	243.1	36.9	15.20%	1993
$10mm to $17.5mm	24	8	33.33%	429.4	26.6	6.19%	1995
>$17.5mm	19	1	5.26%	743.3	2.1	0.28%	1995
	64	15	23.44%	1,416	66	4.63%	1994

Exhibit 25: SBIC Fund Loss Rates vs. LMI Portfolio Concentration

Percentage of LMI Investment	Percentage of SBICs with Losses
Under 30%	31%
30% or more	25%

Exhibit 27: SBIC Leverage Losses by CIP

Highest Capital Impairment Achieved After 6 Years

	Capital Impairment Rate					
Loss Cateogry	**under 25%**	**25 - 50%**	**50 - 75%**	**Over 75%**	**under 6**	**Grand Total**
No losses	17	13	5	7	22	64
Under 25% Losses	3	1		7		11
25 - 50% Losses				2	2	4
Over 50%				2	2	4
Grand Total	**20**	**14**	**5**	**18**	**26**	**83**

	Capital Impairment Rate					
Loss Category	**under 25%**	**25 - 50%**	**50 - 75%**	**Over 75%**	**under 6**	**Grand Total**
No losses	85.0%	92.9%	100.0%	38.9%	84.6%	77.1%
Under 25% Losses	15.0%	7.1%	-	38.9%	-	13.3%
25 - 50% Losses	-	-	-	11.1%	7.7%	4.8%
Over 50%	-	-	-	11.1%	7.7%	4.8%
Grand Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
% with Losses	15.0%	7.1%	-	61.1%	15.4%	22.9%
Average Leverage Loss	1.3%	0.9%	-	17.7%	4.6%	6.1%

Exhibit 28: Multiples vs. SBIC Fund Age

	Fund Year									
	1	2	3	4	5	6	7	8	9	10
Population										
Repaid SBA	23	23	23	23	22	19	18	12	10	8
SBA Losses	10	10	10	9	8	7	7	6	6	3
Total	33	33	33	32	30	26	25	18	16	11
Average DPI										
Repaid SBA	0.02	0.04	0.08	0.22	0.47	0.71	0.97	1.11	1.21	1.41
SBA Losses	0.00	0.03	0.07	0.11	0.13	0.19	0.25	0.34	0.40	0.45
Average TVPI										
Repaid SBA	0.50	0.70	0.85	0.96	1.18	1.34	1.46	1.51	1.48	1.63
SBA Losses	0.48	0.71	0.76	0.84	0.90	0.98	0.94	0.95	0.90	1.09

Absolute Values as of December 31, 2010

TVPI	Total	Losses	%
>=1.25	15	0	0%
.75 to .1.24	8	3	38%
<.75	10	7	70%
Total	33	10	30%

Exhibit 29: Percentage of SBICs that Repaid Leverage by Private Equity Rank

Relative Values (Benchmarking)

Repay Strata	# SBICs	Average TVPI	Number in Top Half of Private Equity	Did not score in top half of Private Equity
SBA Losses	10	0.63	0	10
Repaid SBA	23	1.37	13	10
Total	33	1.14	13	20

Exhibit 30: First Time vs. Experienced Teams

	Fund Year									
	1	2	3	4	5	6	7	8	9	10
Population										
Experienced Teams	56	50	44	39	30	25	20	14	10	9
First Time Team	13	12	12	11	9	8	8	7	7	5
Total	69	62	56	50	39	33	28	21	17	14
Average DPI										
Experienced Teams	0.09	0.14	0.24	0.47	0.52	0.77	1.03	1.05	1.09	1.28
First Time Team	0.19	0.04	0.16	0.24	0.50	0.30	0.73	0.77	1.05	1.26
Average TVPI										
Experienced Teams	0.53	0.79	1.03	1.35	1.39	1.58	1.72	1.62	1.62	1.80
First Time Team	0.66	0.58	0.89	1.04	1.38	1.39	1.61	1.55	1.76	1.97

APPENDIX IV: Supplementary Information and Methodology for Returns to Private Investors

This section presents SBIC performance metrics as of December 31, 2011 for SBICs licensed since 1998 that issued Debenture leverage only. These metrics exclude SBICs that did not issue Debenture leverage prior to December 31, 2011 or issued preferred stock or participating securities at some time. SBICs licensed prior to 1998 are not included due to data limitations. A more comprehensive explanation of the methodology and underlying data sets used in these analyses is available online at www.sba.gov/inv.

SBA is only able to estimate private investor returns since individual fund waterfall terms and conditions (such as hurdle rates and carried interest) vary from fund to fund. In addition, in some funds waterfall terms may differ for key investors. SBA's calculations assume that all SBICs have the same waterfall terms as follows:

- All calculations are net of fund expenses and carried interest.
- SBIC managers receive a 20% carried interest after investors receive cumulative distributions equal to cumulative paid-in capital.
- SBA assumes there is no hurdle rate.

SBA treats SBA's leverage as part of private investor paid in capital and all leverage interest, fees, and leverage redemptions as part of distributions. This helps SBA understand the value of leverage to the private investor and the underlying fund performance.

Because metrics are based primarily using the annual Form 468, actual performance may differ slightly from actual performance for the following reasons:

- ***Waterfall:*** The waterfall may be different for the SBIC. Some SBICs have hurdle rates not considered by SBA calculations which would improve the performance to the private investor in profitable funds.
- ***Annual Versus Monthly Cash flows:*** Due to data limitations, SBA only uses annual cashflows versus monthly cash flows typically used by benchmarking services.
- ***SBIC Surrenders:*** Once a fund repays SBA its guaranteed leverage and surrenders its license, SBA is no longer able to report performance. SBA reports the last observed metrics for Surrendered SBICs. Since SBICs may have made distributions to private investors post surrender, DPI metrics may be understated and other performance metrics may differ from actual performance.
- ***Valuations:*** SBICs typically utilize SBA Valuation Guidelines to value their portfolio versus GAAP. SBA believes that its guidelines are generally more conservative than GAAP. Consequently, SBIC residual values, especially for SBICs with large unrealized equity holdings may show lower residual values and therefore lower performance metrics than would otherwise be calculated if GAAP was used.

The tables that follow provide performance metrics for SBICs licensed since 1998 that issued Debenture leverage only as of December 31, 2011. SBICs under 5 years old are not included as they are primarily still in their Investment Period.

Table 1 - Debenture SBIC Summary Table for SBICs Issuing Debenture Leverage Only
As of 12/31/2011 (Dollar Amounts in $ Millions)

	Number of SBICs				Capitalization				Distributions & Residual Value		
Vintage Year	Total	Liquidation	Surrender	Active	Private Committed Capital	Private Paid-in Capital	SBA Leverage Issued	Total Capital Paid-in or Issued	Private Net Distributions	Residual Value	Private Investor Total Value
1998	10	6	1	3	$ 186.42	$ 184.1	$ 257.4	$ 441.5	$ 114.6	$ 41.6	$ 156.2
1999	10	1	4	5	$ 268.95	$ 162.2	$ 393.9	$ 556.1	$ 290.1	$ 116.5	$ 331.6
2000	14	3	7	4	$ 253.99	$ 201.1	$ 298.4	$ 499.5	$ 298.1	$ 105.1	$ 339.7
2001	9	3	2	4	$ 157.49	$ 127.4	$ 226.8	$ 354.2	$ 131.9	$ 79.3	$ 173.4
2002	7	0	2	5	$ 162.88	$ 127.1	$ 255.3	$ 382.4	$ 138.4	$ 109.6	$ 180.0
2003	9	0	0	9	$ 422.93	$ 356.2	$ 633.9	$ 990.1	$ 327.1	$ 298.1	$ 368.6
2004	4	0	0	4	$ 128.22	$ 103.4	$ 195.1	$ 298.5	$ 41.1	$ 90.3	$ 82.6
2005	9	0	0	9	$ 365.63	$ 278.9	$ 484.0	$ 762.9	$ 207.0	$ 293.3	$ 248.5
2006	12	0	0	12	$ 546.25	$ 478.5	$ 892.0	$ 1,370.5	$ 65.2	$ 485.1	$ 106.8
2007	8	0	0	8	$ 448.50	$ 395.4	$ 552.5	$ 948.0	$ 75.9	$ 382.2	$ 117.5
2008	7	0	0	7	$ 256.19	$ 174.7	$ 300.7	$ 475.4	$ 14.8	$ 197.3	$ 56.4
2009	9	0	0	9	$ 458.42	$ 254.1	$ 431.3	$ 685.4	$ 14.0	$ 229.7	$ 55.5
2010	19	0	0	19	$ 1,034.86	$ 512.2	$ 728.1	$ 1,240.3	$ 43.6	$ 492.1	$ 85.2
2011	9	0	0	9	$ 638.94	$ 197.4	$ 197.1	$ 394.5	$ 1.5	$ 176.7	$ 43.0
Total	**136**	**13**	**16**	**107**	**$ 5,329.67**	**$ 3,552.7**	**$ 5,846.4**	**$ 9,399.1**	**$ 1,763.3**	**$ 3,097.0**	**$ 2,345.1**

Table 2 - Pooled Metrics with Benchmarks for SBICs Issuing Debenture Leverage Only
As of 12/31/2011

		SBIC Private Investor Pooled Performance				Preqin Pooled Benchmarks (1)				ThomsonOne Pooled Benchmarks (2)			
Vintage Year	Total SBICs	PICC	DPI	TVPI	IRR	PICC	DPI	TVPI	IRR	PICC	DPI	TVPI	IRR
1998	10	99%	0.62	0.85	-2.6%	99%	1.31	1.37	7%	93%	1.10	1.28	5%
1999	10	60%	1.79	2.51	16.2%	97%	1.14	1.32	4%	89%	0.86	1.32	2%
2000	14	79%	1.48	2.00	15.0%	98%	1.28	1.56	10%	84%	0.96	1.12	6%
2001	9	81%	1.04	1.66	9.6%	95%	1.39	1.76	17%	89%	1.20	1.35	14%
2002	7	78%	1.09	1.95	15.9%	99%	1.11	1.57	15%	84%	1.16	1.65	16%
2003	9	84%	0.92	1.76	14.2%	95%	1.09	1.65	16%	92%	1.00	1.64	15%
2004	4	81%	0.40	1.27	5.5%	95%	0.79	1.45	12%	88%	0.75	1.63	12%
2005	9	76%	0.74	1.79	15.2%	93%	0.50	1.31	8%	91%	0.40	1.51	8%
2006	12	88%	0.14	1.15	4.7%	89%	0.30	1.11	2%	93%	0.27	1.32	3%
Total	84	88%	0.19	1.16	10.7%								

(1) Preqin Pooled benchmarks were downloaded from www.Preqin.com on 10/23/2012 for all U.S. focused private equity funds. PICC, DPI, and TVPI data are as of 12/31/2011 and are calculated by Preqin using the Money Weighted methodology. Pooled IRR reflects the most up to date figure as of 10/23/2012. Data is continuously updated and subject to change.

(2) ThomsonOne Pooled Benchmarks were downloaded from www.ThomsonOne.com on 8/29/2012 for all U.S. focused private equity funds for the period ending 12/31/2011. Data is continously updated and subject to change.

Table 3 - Private Investor Quartiles for Debenture SBICs Issuing Debenture Leverage Only

	SBIC DPI Quartiles			SBIC TVPI Quartiles			SBIC IRR Quartiles		
Vintage Year	Quartile 1	Quartile 2 - Median	Quartile 3	Quartile 1	Quartile 2 - Median	Quartile 3	Quartile 1	Quartile 2 - Median	Quartile 3
1998	0.59	0.03	0.01	0.87	0.58	0.02	-2%	-29%	-98%
1999	2.50	0.59	0.24	3.12	1.51	0.99	20%	6%	-1%
2000	1.24	0.70	0.06	2.26	1.34	0.47	12%	5%	-23%
2001	1.15	0.89	0.33	1.97	1.64	1.32	14%	8%	4%
2002	1.33	1.02	0.64	2.00	1.73	1.33	14%	10%	7%
2003	1.13	0.94	0.49	2.11	1.72	1.47	20%	13%	9%
2004	0.49	0.33	0.12	1.23	1.16	1.15	4%	3%	3%
2005	0.56	0.34	0.11	1.58	1.50	1.29	12%	10%	7%
2006	0.15	0.12	0.04	1.18	1.14	1.05	6%	4%	2%
Total	1.07	0.42	0.05	1.90	1.33	0.93	13%	6%	-2%

Table 4 - SBA Debenture Leverage Impact to Pooled Private Investor IRR by Vintage Year for SBICs Issuing Debenture Leverage Only As of 12/31/2011

Vintage Year	Pooled Private Investor IRR	Pooled Unleveraged IRR	Leverage Impact*	Leverage Ratio**
1998	-2.6%	1.4%	-4.0%	1.40
1999	16.2%	10.8%	5.4%	2.43
2000	15.0%	10.1%	4.9%	1.48
2001	9.6%	7.0%	2.6%	1.78
2002	15.9%	9.9%	6.0%	2.01
2003	14.2%	9.7%	4.5%	1.78
2004	5.5%	5.9%	-0.4%	1.89
2005	15.2%	10.4%	4.8%	1.74
2006	4.7%	5.6%	-0.9%	1.86
Total	10.7%	8.0%	2.7%	1.80

*Leverage Impact = Pooled Private Investor IRR - Pooled Unleveraged IRR

** Leverage Ratio = Cumulative Leverage Issued / Cumulative Private Paid-In Capital

Table 5 - Average Increase to IRR by Leverage Ratio for Debenture SBICs Licensed Between 1998 and 2006 as of 12/31/2011 (n=84)

	Average Change to IRR by Leverage Ratio*			Number	% of SBICs with
Unleveraged IRR	**Under 1.25**	**1.25 to 1.99**	**2 or more**	**of SBICs**	**Improvements**
Over 18% IRR	5.2%	No observations	11.6%	14	100%
12 to18% IRR	5.3%	6.0%	14.0%	9	100%
6 to 12% IRR	0.8%	2.3%	2.9%	19	87%
0 to 6% IRR	-2.6%	-2.5%	-3.6%	20	4%
Negative IRR*	-30.1%	-57.0%	-66.8%	22	0%
Number of SBICs	***16***	***38***	***30***	***84***	49%

** Since many negative IRRs cannnot be calculated, the figures for Negative IRRs reflect increase to losses based on TVPI.*

Table 6 - Distribution of Debenture SBICs Licensed Between 1998 and 2006 by Fund Size* as of 12/31/2011

Relative Performance			
Preqin Private Equity Quartile based on Private IRR	**Inflation Adjusted Private Committed Capital ≥ $25 Million**	**Inflation Adjusted Private Committed Capital < $25 Million**	**Total**
Quartile 1	15	1	16
Quartile 2	17	7	24
Quartile 3	12	9	21
Quartile 4	6	17	23
Total	**50**	**34**	**84**
Absolute Performance			
Pooled IRR	13.7%	1.0%	10.7%
Percentage of SBICs by Private Investor IRR			
Over 18% IRR	26.0%	2.9%	16.7%
12 to18% IRR	14.0%	5.9%	10.7%
6 to 12% IRR	24.0%	20.6%	22.6%
0 to 6% IRR	26.0%	20.6%	23.8%
Loss	10.0%	50.0%	26.2%

**Adjusted for inflation to 2012 dollars using the Bureau of Labor and Statistics inflation calculator.*

Table 7 - Distribution of Debenture SBICs Licensed Between 1998 and 2006 by Strategy and Fund Size as of 12/31/2011

Relative Performance

	Buyout Hybrid		**Mezzanine & Creditors**	
Preqin Private Equity Quartile based on Private IRR	**Inflation Adjusted Private Committed Capital ≥ $25 Million***	**All SBICs**	**Inflation Adjusted Private Committed Capital ≥ $25 Million***	**All SBICs**
Quartile 1	50%	42%	19%	10%
Quartile 2	22%	21%	41%	32%
Quartile 3	22%	25%	25%	25%
Quartile 4	6%	13%	16%	33%
Total Number	**18**	**24**	**32**	**60**

Absolute Performance

Pooled Private Investor IRR	18.6%	16.2%	10.1%	7.6%
Median Private Investor IRR	10.6%	8.6%	8.6%	4.3%

**Adjusted for inflation to 2012 dollars using the Bureau of Labor and Statistics inflation calculator.*

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